PARIS, MONDAY, JUNE 8, 1987

ESTABLISHED 1887

Bank Size Studied In U.S.

Superbanks Could Stand Up Against Foreign Rivals

By Nathaniel C. Nash New York Times Service

WASHINGTON - Officials at the U.S. Treasury Department have concluded that the government should encourage creation of large banks that could better compete with financial institutions in Japan and Europe.

The Treasury plan, which would permit the acquisition of banks by large industrial companies, was also endorsed by Alan Greenspan, in an interview before President Ronald Reagan nominated him last week to be chairman of the Federal Reserve Board. Mr. Greenspan said that the plan would provide multibillion-dollar pools of investment capital for a banking industry that was "severely under-capitalized." Mr. Greenspan has declined to be interviewed while he awaits confirmation by the Senate.

No formal policy or legislative agenda has been adopted by the administration, but George D. Gould, undersecretary of the Treasury, said in interviews that he fa-vored creating five to 10 giant banks that would rival in size the largest banks in Japan, West Germany, Britain and France.

The formation of such large banks has been hampered by two of the principal U.S. banking laws: the Glass-Steagall Act of 1934, which separates underwriting and mmercial banking, and the Bank Holding Company Act of 1956, which prohibits nonbanking companies from owning banks.

The only avenue left open to banks has been to merge among themselves. But state laws have historically prohibited interstate banking, and only recently have. state legislatures begun to open their borders to out-of-state banks. These deals have usually involved a large out-of-state bank's buying a smaller institution. Many as making the great banks could raise suittrust questions and none of the few such deals attempted ever pro-

In the administration, the hope is that Congress can be persuaded to loosen the regulations. The banking industry, which has considerable political influence, is divided: The largest banks strongly support the changes while smaller banks

See BANKS, Page 15

Kiosk **Egypt Detains Fundamentalists** CAIRO (Reuters) - Egyp-

tian police have detained about 500 Moslem fundamentalists in an attempt to solve three assassination attempts in just over a month, Interior Minister Zaki Bodr said Sunday. He pledged to round up all

suspects in the recent violence and urged anyone with information to come forward. The assassination attempts have been against an Egyptian magazine editor, a former interior minister and two American dip-



Pitcher Tom Seaver is back with the New York Mets.

GENERAL NEWS

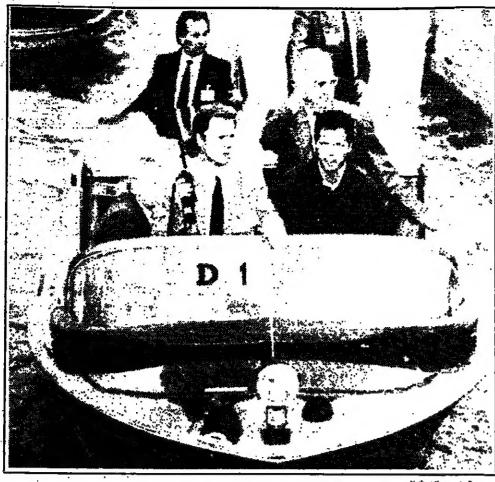
The extent of suffering by Tamil citizens remains unclear following Sri Lanka's offensive in the Jaffna peninsula. Page 2.

BUSINESS/FINANCE

The stock market's triplewitching hour will disappear under a new settlement plan for stock index contracts. Page 11.

Special Today

Personal Investing takes a look at Tokyo's vibrant Stock Exchange, where investors are "trading in the dreams of a future Japan." Pages 7-10.



Chancellor Helmut Kohl of West Germany waving Sunday as he arrived at his Venice hotel.

In Venice, Pressure on Reagan

Europeans to Push for a More Consistent Foreign Policy

By Jim Hoagland
Washington Post Service
VENICE — European leaders,
concerned by rapid shifts in U.S. foreign policy goals and methods in recent months, are likely to use the seven-nation summit meeting here to press President Ronald Reagan to show more caution and consistency in world affairs.

The meeting could end up being a "damage control" mission by European leaders who see Washing-ton's recent handling of U.S.-Soviet relations and the Gulf as erratic and risky, aides to several of the key European participants suggest-

The growing likelihood of a new neeting between Mr. Reagan and a Societ lender blithail S. Six-actev, will contain the private discussion dominating the private discussion dominating the private discussion. ner for the leaders that formally begins the Venice gathering Mon-day night, according to these aides.

The dinner will provide the leaders with an opportunity to seek an informal joint assessment of Mr. Gorbachev and the changes he is bringing to Soviet foreign and domestic policies, one of the leaders

move medium-range missiles from church officials say. Europe. They will be asking him for agreement will lead to, and what

et summit meeting later this year. Mr. Reagan's unexpected near-agreement with Mr. Gorbachev at the Reykjavik summit meeting last October, which would have eliminated all U.S. and Soviet nuclear ballistic missiles, unsettled European leaders accustomed to a steady stream of anti-Soviet rhetoric and a

strong buildup of America's nuclear arsenal under Mr. Reagan. Reykjavik ended without any agreements being struck, but Mr. Gorbachev surprised Washington

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in February by agreeing to accept the elimination of medium-range missiles in Europe. The Reagan administration has since had to push hard to obtain European acceptance of the deal.

Mr. Reagan inadvertently revived concern about his commitment to the Western alliance's standard deterrence policies on Friday in a speech that was televised in Europe.

he was as opposed to nuclear weapons as were the hundreds of thou-

sands of Europeans who marched against the deployment of U.S. Per-shing-2 and ground-launched cruise missiles in 1983.

"How I wanted to let them know that my heart was with them, that I too yearned for a day when man-kind could live free of the terror of nuclear annihilation," Mr. Reagan

of France, whose support for de-ployment was vital to Mr. Kohl in vercoming the West German pro-

Mrs. Thatcher, who will spend See SUMMIT, Page 4

Official Says **Entire Force** Is 3 Warships By Flora Lewis Ven York Times Service

MOSCOW - The Soviet Union has no intention of augmenting its force of three small warships in the Gulf despite its apprehension about U.S. plans to build up its fleet there, according to the first deputy foreign minister. Yuli M.

In an interview, Mr. Vorontson said the Soviet Union was aiming for a summit meeting in Washing-

Soviet-American differences on a treaty to eliminate intermediaterange and shorter-range nuclear missiles in Europe would soon be

Mr. Vorontsov, who declined to be quoted directly but authorized use of his remarks, indicated strong Soviet interest in reaching agreements with Washington.

He said that the Soviet Union was engaged in discussions with Iran, Iraq, India and other countries on ways to assure freedom of shipping in the Gulf and the Indian Ocean. He added that the Kremiin had proposed such talks with the United States but had not yet received an answer.

Moscow has had hints that there have been talks between the warring nations of Iran and Iraq on this subject, he said, but apparently they have not reached anything definitive.

Mr. Vorontsov said the Soviet The largest marches were staged Union would like to pursue consulagainst the governments of Prime tations with the United States on Minister Margaret Thatcher of stopping the Gulf war, providing Britain and West Germany's chan-safety of shipping and assuring that cellor, Helmut Kohl, who will be the presence of Soviet and U.S. attending this summit meeting, as warships in the waterway would will Prezident François Mitterrand pot lead to incidents. Little has been done so far, he said. It would be bad all around, he

declared, if there were to be retaliation for attacks in the Gulf. Other officials here have ex- many disputed points but that he pressed concern at the possibility felt these could be resolved.

■ A U.S. poll of Europeans

Kremlin to Limit Gulf Fleet;

U.S., Soviet Discuss Summit

ON PAGE 3

gives credit to the Soviet Union

■ Venice canals pose unusual problems for security forces at the summit meeting.

AIDS and its costs will be a

that Soviet and U.S. armed presence in the Gulf might turn the et-American issue.

Iran's foreign minister. Ali Akbar Velayati, was in Moscow a few months ago. Mr. Velayati has re-cently visited Bonn and Rome, where he is known to have expressed concern about growing superpower presence in the Gulf.

Mr. Vorontsov seemed to take this as a good sign, but he did not have any indication of results of Mr. Velayati's visits. On the prospect of a treaty on

intermediate-range missiles, Mr. Vorontsov said that a joint draft just completed still contained

He expects a meeting between the Soviet foreign minister, Eduard A. Shevardnadze, and Secretary of State George P. Shuitz in Washington late this summer and, if it is successful, a summit meeting in the

Among the outstanding points are where the United States will deploy the 100 intermediate-range warheads to be allowed each side under a new treaty. It has been agreed in principle that Soviet missiles will not be deployed within range of the United States or its allies, including Japan.

But Washington has not yet renounced basing rights in Alaska, which would be within range of See GULF, Page 4

Pope's Polish Visit May Mark an Opening to Moscow

By Jackson Diehl Washington Post Service

ssing the day, may mark the be Italy, Japan and West Germany at Church and a Communist state based on Jerzy Popieluszko. this summit meeting for an en- increased church stability in Poland and the ment with Mr. Gorbachev to re- cow and the Vatican, government and

During seven days in the country, the pope clearer definitions of what the is expected to act and speak for Poles' political and national aspirations as he did during they could expect from a U.S.-Sovi- his last visit here in 1983, when the nation was ruled by martial law.

Mikhail S. Gorbachev.

Relations between the Polish church and hone of the prospective accords are extra underground temporary coordinating the government of General Wojciech Jarupected to be announced during the pope's commission has called on Poles to bring Relations between the Polish church and

zelski have been remarkably smooth as the visit. But church officials in Poland say the union banners to Masses. The police have

WARSAW - Pope John Paul II's third ease on such elements of the papal schedule messages to Poles. visit to his native Poland, which begins Mon- as a meeting with Lech Walesa, chairman of juning of a new era in the banned Solidarity trade union, and a trip contacts with the East bloc, and an eventual national purpose created by the pope's first leaders of Britain, Canada, France, relations between the Roman Catholic to the grave of a slain pro-Solidarity priest, papal visit to the Soviet Union, as important visit in 1979, a mood that later proved crucial At the same time, Vatican, Polish church

The pope appealed to Ronald Reagan for an end to the arms race. Page 4.

toward historic agreements that could establish the first full diplomatic relations be- remnants of Solidarity, may prove the coun-But church officials say the 67-year-old tween the Vatican and a Soviet-blog government grant the Polish church full legal status broader Vatican policy of accommodation with the East bloc and the Soviet leader, rule and expand the church's social and economic and the same political and expand the church's social and economic social and economi nomic activities.

accords could shape the mood of John Paul's responded with public and private warnings The two sides have agreed with relative contacts with government officials and his that such "disturbances" will be suppressed

"What is happening here," said Macin dorsement of his tentative agree- opening of new channels here between Mos- and government officials have been working Krol. a prominent Catholic editor. "is in some sense a preparation for improved

church relations with all of the East bloc." adding: "And so that is something the pope is likely to address." Poland's political impasse, and the church's continuing role in defending the

tension as those of four years ago. Solidari-

Mr. Walesa and other Solidarity leaders

The Vatican is thought to regard expanded say they hope the visit will renew the sense of for the formation of the independent trade union in 1980. "It will give us the opportunity to do

something together in mass." said Janusz Onyskiewicz, a Solidarity spokesman, "10 have this feeling of cohesion and mutual support. That is terribly important for Solidarity,"

he added.

Liberal church activists hope the pope will strongly take up the demand for free association and the expansion of pluralism in Po-land advanced by Polish bishops in several strong declarations last year.

"The hope is that the pope will speak on this issue and advance it," said Krzysztov See POPE, Page 4

White House Cites 'Range' Of '87 Dates

By Lou Cannon and Hobart Rowen

VENICE - Howard H. Baker Jr., the White House chief of staff. said Sunday that U.S. and Soviet officials had discussed "a range of dates" for a prospective summit meeting in Washington between President Ronald Reagan and Mik-

hail S. Gorbachev later this year. U.S. officials continued to warm Iran against interfering with navigation in the Gulf and particularly on using the Silkworm missile against U.S. ships or any oil tank-

ers they escort.

Mr. Baker said "I think there's a good chance there will be a summit yet this year" if U.S. and Soviet negotiators reach an agreement or eliminating medium-range nuclear missiles from Europe.

Meanwhile, three high-ranking Reagan administration officials strongly implied that the United States may be ready to lift some of the tariffs imposed on \$300 million worth of Japanese electronics ex-ports to the United States because Japan is showing signs of abiding by an agreement barring the "dumping," or selling at unfairly low cost, of semiconductors.

Although the issue is not expected to be fully resolved in Venice. President Reagan could reveal U.S. intentions to relax sanctions after a meeting Monday with Prime Min-ister Yasuhiro Nakasone of Japan.

Frank Carlucci, President Reagan's national security adviser, said it would be "inadvisable" for Iran to try to prevent U.S. ships from escorting tankers through the Strait of Hormuz

"U.S. ships are prepared to de-fend themselves," Mr. Carlucci said. "They are prepared to defend the ships they are escorting, and it would not bode well if they were to interfere." Mr. Carlucci refused to speculate

on the military options. The Washington Post reported last week that one of the options being debated was a pre-emptive strike. Senior officials did not contradict the report but said that Mr. Reagan had not decided on any option yet and that a pre-emptive strike was un-

On a CBS television program, Mr. Baker said that U.S. ships were operating in the Gulf to protect nothing to fear from us."

"We have a great deal to fear from them, if they deploy those missiles," he said, "And it's my hope that the Iranians will decide that it's not worth it to deploy those missiles and run the risk of retalia-

Mr. Baker said the U.S. decision to have a U.S. Navy convoy escort 11 Kuwaiti tankers was not "irreversible" but that "my own feeling is that it should not be terminated as long as the Kuwaitis want it and as long as the Soviets are still playing in this game."

In an interview with Cable News Network, Mr. Carlucci also dis-See VENICE, Page 4

Scientists Note Progress In Treatment of AIDS

By Larry Thompson Washington Post Service WASHINGTON — Although a

human vaccine against AIDS is probably years away, significant progress has been made toward developing a variety of drug treatments to help patients already infected, scientists reported at the third international conference on the disease. More than a dozen new drugs are showing promise against the virus

in laboratory experiments. Better therapies are being used to treat the complications of acquired immune deficiency syndrome, such as pneumonia or cytomegalovirus infections. New strategies are emerging on how to rebuild immune systems damaged by AIDS. Advances in the scientific understanding of the virus and the pro-

gression of the disease are enabling physicians to monitor the progress of their patients better and predict the next phases of the disease. "It is not so much that there are new things, but we are thinking of things in new ways," said Dr. Clif-ford Lane of the National Institute

of Allergy and Infectious Diseases. One example of a new approach for monitoring the progression of the disease in infected individuals who have no symptoms is just emerging from research. It is based on the production of certain virus proteins in infected persons that have been linked to the development of AIDS symptoms. One of these virus proteins is:

called p24. Early in the infection, very little p24 can be found in the patient's blood, but as the disease progresses, p24 levels rise. By mon-itoring the levels of the p24 protein, Dr. Lane said, physicians could choose that point to begin aggressive treatment with AZT or some other drug.

Current drug therapies aimed at AIDS generally focus on two dif-

The United States, in a random survey, will test 45,000 people for AIDS, Page 3.

AIDS virus in the body and rebuilding the ravaged immune sys-

AZT, the only drug approved by the Food and Drug Administration for use in AIDS patients, is only the first of a number of drugs shown to block the virus in the body. In the pipeline are dozens of chemically related drugs, such as dideoxycytidine, that may be more effective or have fewer side effects than AZT. Some of these drugs are about to be

tested in human beings. A number of other drugs, such as interferon and tumor necrosis factor, attack the virus by stimulating the immune system to attack the

"The next most promising drug after AZT probably is alpha-interferon," said Dr. Anthony Fauci, director of the National Institute of See AIDS, Page 4



Lendl Wins French Open

Ivan Lendl of Czechoslovakia backhanding the ball to Mats Wilander of Sweden, his opponent in Sunday's final of the French Open. Lendl defeated Wilander in four sets. On Saturday, Steffi Graf of West Germany defeated Martina Navratilova of the United States for the women's title. Page 17.

In the Iran-Contra Maze, **North Is Central Mystery**

By Haynes Johnson Washington Post Service

WASHINGTON - For five weeks, congressional investigators have been learning more and more about the extraordinary activities of the man who isn't there. The more they know of the Iran-contra affair, the more critical and complicated becomes the role of Lieuten-

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ant Colonel Oliver L. North, and the more questions about him arise. Colonel North's presence at the that he now dis attention from President Rord attention from President Rord attention from Rangan now are asked almost exclusions initially and almost exclusions are asked almost exclusions and are asked almost exclusions. sively about Colonel North.

"We don't know what he knew when he knew it," said Representa-tive Michael DeWine, Republican of Ohio, who began the hearings as a strong defender of Colonel North. There's a lot of things we don't know, and so I think we have to reserve final judgment in regard The select committees investigat-

destroy White House documents. The portrait of Colonel North those involved.



Colonel Oliver L. North

Richard V. Secord, in an interview, denies he profited from Iran arms sales. Page 3.

nessman involved in the affair, said repeatedly last week - and feared. Colonel North has been estabing the affair will be learning more lished as the person who knows the about Colonel North this week. His most about what really happened former secretary. Fawn Halling most about what really happened scheduled to testify about hereing in the fran-contra affair, and under volvement in helping him alter and what authority. His testimony could save or destroy many of

of a man both admired — even loved, as Albert A. Hakim, a busi-Witnesses such as Elliott

In Italy, There's No Business Like Family Business

New York Times Service ROME - Families - from the Medicis of Florence to the Agnellis of Fiat — have always occupied a central position in Italian economic affairs.

Indeed, Italian economists attribute much of the country's recent economic vigor to a fresh generation of entrepreneurs whose fathers were masters of a particular trade: The Danielis of Udine lead in mini-steelmills, the Pininfarinas produce expensive sports cars, the Bollas of Verona make quality wines.

The pace of growth and innovation is taxing the financing capacity of some of the medium-sized family operations, some economists have noted. Still, analysts point to advan-

tages of a family-run business: the relative absence of labor conflicts and the flexibility that comes from compact decisionmaking processes.

INSIDE

The Beretta clan has manufactured arms near Brescia since the 16th century; the success of Rome's Jacorossi family was part of the energy explosion set off by Italy's postwar economic recovery. Page 11.

TOMORROW The Counts of Zecca modernized centuries-old family farming operations; the Fendi

The European Corporate Electronic Publishing Conference & Extinuidor Section and Section 2011 me system on cold mstead or not. wormed about, said Vic DePaula, posal will figure as a major bar-

Extent of Suffering Among Tamil Civilians Still Unclear

By Steve R. Weisman

New York Times Service VALVEDDITTURAL Sri Lanka - In the dusty courtyard of a Hindu temple, 1,200 women, children and old men stood quietly in line for rations of rice and flour. Their homes had been bombed. and they told stories of hunger. terror and helplessness.

"My son is lost," a gray-haired woman said, sobbing, "My broth-er-in-law is lost, A thousand of our men are lost. Please help me to find them. Please, please, what can we do to find them?"

Since 1983, this fishing community on Sri Lanka's northern Jaffna peninsula has been a stronghold of Tamil separatist guerrillas. But last week, after the most intense lighting of the war, the town was recaptured by the Sri Lankan Army. The army, like the government is dominated by ethnic Sinhalese.

The offensive has taken a toll in suffering among Tamil civilians. But a visit Friday to Valvedditturai, the heart of the 20-squaremile (51-square-kilometer) area that was captured by the government, failed to reveal answers to questions about the extent of the suffering.

Such questions lie at the heart of a confrontation between India and Sri Lanka, and are central to the future of the Tamil-Sinhalese dis-

The government said that fightthree rebels and a Sri Lankan soldier were killed when gunmen attacked the island's main air force base at Katunayaka, 20 miles (about 32 kilometers) west of Colombo, Reuters reported.]

India sympathizes with Sri Lanka's Tamils because of their Hindu faith and because of ties to 50 million Tamils in southern India.

India continues to assert that the Sri Lankan offensive led to 500 to 600 civilian deaths from "carpet bombing" and other attacks. The New Delhi government re-

sponded by sending aid. The first attempt, on Wednesday, came in

civilians died, denounced India for fice buildings. committing a "naked violation" of moned journalists to Sri Lanka to because of the leaflets.

observe whose claims were correct. Meanwhile, Sri Lanka stepped up its effort to deliver what it said are thousands of tons of food throughout the peninsula. "Everyone knows there is no food shortlathmudali, the minister of national security. "We are the ones aiding

people, not the Indians." Civilians in Valvedditturai said the Indian press's claims of thousands dead were exaggerated but that Sri Lanka's claim was too low.

If the boys come back, we will have experience all over again. We want to be left alone to live in peace.'

> - Syoga Chandra, a school principal

Several residents suggested that the number of people killed was between 200 and 500. Western experts dismissed the likelihood of carpet bombing" in the area, saying the Sri Lankan Air Force is not equipped for it.

Buildings on Valvedditturai's main street have crumbled walls and roofs — evidence of the government attack. But Sri Lankan officials sought to show that their bombs had been aimed not at terrorizing civilians but at routing guerrillas from a three-mile system of underground tunnels.

The only way to destroy the tunnels was to bomb the whole area, officials said. They noted that to an aborted mission by sea; then on officials said. They noted that to to hold the same kind of talks that Thursday, transport planes reduce civilian casualties, the gov-

dropped 25 tons of food and medi-erament had distributed leaflets urging people to seek refuge in cine to the supposed victims.

Sri Lanka, which has said that 50 nearby temples, churches and of-

Most of the people interviewed Sri Lanka's sovereignty. It protest- at the temple and elsewhere said ed at the United Nations and sum- they had escaped bombardment

Residents said that even after having been routed, the Tamil guerrillas remain popular. But this did not mean they would be welcomed back, some said.

"If the boys come back, we will age in Jaffna," said Lalith Athu- have the same experience all over again," said Svoga Chandra, a school principal. "We want to be left alone to live in peace."

A group of government officials led by Mr. Athulathmudali visited the area on Friday. They found that the biggest grievance was the arrest of about 4,000 young men last week as suspected "terrorists."

In a speech, Mr. Athulathmudali sought to soothe the fears of relatives. He promised that several women's organizations would try to arrange for mail service to the derainees while the army worked to determine which ones were "terror-

■ India Agrees to Consult India, under international criti-

cism for violating Sri Lankan airspace during the recent airlift, has offered to discuss with Sri Lankan officials any future aid to ethnic famils in the country. The New York Times reported from Colom-

Foreign Minister A.C.S. Ha-meed said Saturday that Sri Lanka welcomed the step.

China and Pakistan, he said, are among the nations that offered support to Colombo after the Indian airdrop. He called India's actions a "naked violation of our independence and an unwarranted assault on our territory and sover-

Mr. Hameed said the government of Prime Minister Rajiv Gandhi of India turned down a suggestion last week from Sri Lanka's president Junius R. Jayawardene, to hold the same kind of talks that



Neil Kinnock bowling at a Stevenage, England, leisure center. His wife, Glenys, is at right.

Thatcher Gets Low Marks on Stump, **But Polls Still Give Her Solid Lead**

By Howell Raines New York Times Service

campaigning left, Prime Minister plan for nuclear disarmament Margaret Thatcher is a solid favorite to lead the Conservatives to a parliamentary majority and be-come the first prime minister in this century to win three consecutive

But as Thursday's voting nears, many independent analysts and strategists in both parties say that Mrs. Thatcher has been outperformed on the stump by her Labor Party opponent, Neil Kinnock.

There is also general agreement that Labor has produced slicker television advertising, better advance work and stronger field orga-

Strategists on both sides, however, said that Britain's improving LONDON - With three days of economy and Labor's unpopular seemed to have put a cap on Mr. Kinnock's support.

Opinion surveys also indicated that Mr. Thatcher's stronger leadership image was helping her sustain what has so far seemed a solid lead amounting to about 7 percentage points in the major publicopinion polls in the past week. A series of new polls published on Sunday put her as many as 11

percentage points ahead. On average, the polls in the past week put the Conservatives at 43 percent. Labor at 34 percent to 36 percent, and the centrist Alliance grouping of the Liberal and Social

Democratic parties at 21 percent. A popular vote on that order would produce a parliamentary majority of 40 to 50 seats for Mrs. Thatcher, compared with the 144seat majority she won in 1983.

On Monday afternoon, Mrs. Thatcher was scheduled to start a 24-hour break from campaigning for the economic meeting of the seven leading industrialized de-mocracies in Venice. Conservative strategists are counting on her appearance to portray her as a major world figure and provide a late lift to a lackluster campaign.

Labor has accused Mrs. Thatchprovide television footage for her campaign broadcasts.

Mr. Kinnock's final campaigning will be geared to television. Labor scheduled a rally of show business figures on Sunday, to be Mr. Tahir said the Soviet offer to followed Monday by a television Indonesia was coupled with a re- film about Mr. Kinnock made by "Chariots of Fire."

their impact has not been dramatic. China last year agreed to launch It's got them back up to where they

formance of the Alliance grouping, the Liberals led by David Steel and the Social Democrats. Their standing at the start of the campaign raised the prospect then that Mrs. Thatcher might be removed by a three-way split, denying any party a majority in the 650-seat House of Commons.

"We are 10 points ahead," she said, taking a figure from one of the most favorable recent polls. "We do hope, it's quite true, to widen the gap to more than that in the coming week. I don't expect a hung Parliament.

If Mrs. Thatcher is to be upset now, the shift will have to come in the 150 to 200 battleground districts, or marginal constituencies. Both Conservative and Labor strategists regard the contest as already decided in the other 450 to 500 constituencies, with Labor strong in the north and the Conservatives

in the south. Conservative strategists said that Labor had edged ahead in some

marginal constituencies.
"We believe the swing to Labor is not enough to win more than 40 or 50 of them," said Robert D. Waller of Harris Research, a pollster for the Tories. "But that could reduce the Conservative majority from 140 to 40 or 50."

Increasingly, both parties are watching the Midlands, historic Labor territory that has been sliding toward the Conservatives. Late trends there could tell whether Mrs. Thatcher's lead, once as high as 14 percentage points, is continuing to diminish

One such district, on the southern fringe of the Midlands, is Oxford East.

There, Labor is battling to recapture a seat narrowly won by the Conservatives in 1983. At a recent the political loyalty acquired from

scribing himself as torn between his "moral standing" as a nurse who agreed with Labor's social policies and his desire to protect his \$38,000 home and the Rolls-Royce shares he purchased when the Thatcher Mrs. Thatcher's chances have government privatized the compa-

WORLD BRIEFS

Deposed Fijian Leader Seeks U.K. Aid

LONDON (AP) — Fiji's deposed prime minister, Timoci Bavadra arrived here on Sunday seeking help from Queen Elizabeth II, the former colony's ceremonial head of state, to regain power. Buckingham Palace officials said the queen would not see him but he would be permitted to

meet with her private secretary. She is my queen, she is the queen of Fiji, so she at least has to listen to me." Mr. Bavadra said at Heathrow Airport.

His elected administration was overthrown May 14 in a coup. Mr. Bavadra's government was dominated by ethnic Indians, who make up a little more than half of Fiji's population of 715.000.

Senate Winners Named in Philippines MANILA (AP) - The Philippine Commission on Elections has

declared 20 winners in Senate elections. Nineteen of them were candidates supported by the administration.

A movie actor. Joseph Estrada, was the only opposition candidate to gain a Senate seat. If projections hold, President Corazon C. Aquing's coalition will hold at least 22 Senate seats and more than 130 of the seats in the House of Representatives. Voting for the House was by

The races for the four remaining Senate seats remained too close to call, the commission reported Saturday. The elections took place May 11. The former defense secretary, Juan Ponce Enrile, head of the opposition Grand Alliance for Democracy, was in twenty-second place in the balloting and could capture one of the remaining slots.

Soviet Poet Stripped of Citizenship

MOSCOW (WP) — The Supreme Soviet has revoked the citizenships of a dissident poet, Irina Ratushinskaya, and her husband for "defaming the great name of the Soviet Union." according to a decree released here Saturday.

She was arrested in 1982 for distributing "anti-Soviet propaganda." imprisoned in 1983 after she was found guilt of slandering the state, and pardoned by the Supreme Soviet in October. She had been allowed to travel to the West with her husband, Igor Gerashenko, for medical

Meanwhile, Ruth Bonner, 86, the mother-in-law of the Soviet physicist Andrei Sakharov, returned to live in the Soviet Union after seven years in

Bokassa Reiterates His Innocence

BANGUL Central African Republic (Reuters) - Jean-Bedel Bokassa, the former self-proclaimed emperor of Central African Republic, has pleaded not guilty to the crimes for which he is being tried and stated that his only wish is to live in peace as an ordinary citizen.

Mr. Bokassa, 66, is standing trial on several charges, including assassi

nation, cannibalism and embezzlement. In a final statement to the court on Saturday, Mr. Bokassa said that as head of state at the time of the crimes, he took moral responsibility for them, "but I assure you that I am innocent of the crimes of which I am accused."

The state prosecutor has asked the court for the death sentence, saying there were no extenuating circumstances for crimes committed during his 13-year reign. Mr. Bokassa, who was toppled in a 1979 coup, returned home last October from exile in France. His trial began in November.

France Won't Try Soviet Woman

ROUEN, France (Reuters) — An examining magistrate has dropped spying charges against a Soviet woman implicated in an alleged attempt to steal French space secrets, judicial sources said Saturday.

The magistrate, Elisabeth Senot, ruled Friday that charges should not be pressed against Lyndmila Varygina, 31, one of seven people arrested in March for allegedly selling secrets about a booster motor for the Europsy, an Ariane rocket. Charges against Varygina's husband. Pierre Verdier.

Jackson Disavows Farrakhan Süpport

WASHINGTON (LAT) - The Reverend Jesse L. Jackson says he would not accept the political support of Louis Passakhan, the Black Muslim leader whose vitriolic remarks about Judaism and Hitler drew criticism to Mr. Jackson's 1984 campaign for the Democratic presidential

nomination.

"Some of his positions are anti-Semino-Linearistics, a civil rights leader, aid Friday in response to questions." And it is fair to add not sensitive must stand against anti-Semitism and recism and bigotry and sensitive we do not accept Farrakhan's support." Mr. Jackson said: "We haven't sought his support. He is not a factor in our compaign." In 1984, Mr. Farrakhan publicly described Adolf Hitler as "a great main" and called Judaism "a dirty religion."

For the Record

Representative Patricia Schroeder, Democrat of Colorado, said Friday she was considering becoming a candidate for the Democratic presidential nomination. Ms. Schroeder, 46, an eight-term congresswoman, had been a supporter of Gary Hart, who withdrew his candidacy after his relationship with a Miami woman was disclosed. (NYT)

SCOREE

TRAVEL UPDATE

French air controllers have announced that they will continue striking on Tuesday after negotiations between civil aviation authorities and unions broke down Friday night. The controllers have been striking from 6:30 to 9 A.M. for seven weeks, except on weekends and holidays, over benefits and work load. Monday is a holiday in France.

The possibility of compulsory AIDS testing for travelers from the United States, Haiti, Brazil and Africa is under consideration by the Colombian Health Ministry, sources said Saturday. Visitors would have to present a medical certificate declaring themselves free of the AIDS virus or be tested at the airport.

The wife of a Continental Air Micronesia employee and a customs worker were arrested in Guam on Saturday, bringing to 34 the number of arrests in connection with a series of theirs from luggage at Guam International Airport. Twenty-four of those arrested are Continental

This Week's Holidays

Banking hours and government services will be closed or curtailed in the following places this week because of national and religious holidays:

MONDAY: Andorra, Austria, the Bahamas, Barbados, Belgium, Brista Virgin Islands, Central African Republic, Denmark, East Germany, France, Gabos, Greece, Grenada, Ioeland, Ivory Coast, Liechstenstein, Luxembourg, Madagascat, Monaco, Netherlands, Norway, Rwanda, Senegal, Spain, Sweden, Switzerland, Tahiti, Trinidad, West Germany.

WEDNESDAY: Argentina, Jordan, Macao, Malaysia, Portugal THURSDAY: Libya, Sri Lanka.

FRIDAY: Paraguay, Philippines, SATURDAY: Hong Kong, Portugal.

Source: Morgan Guaranty Trust Co. Resten

WELL. IT'S ABOUT

DOONESBURY







Soviet Interests Asians in Satellite Launch the third stage of an Ariane rocket prohibit satellites employing By Michael Richardson in the early 1990s. The satellites will serve the southwest Pacific and failed to fire. Officials had to de-American technology from being emational Herald Tribune

SINGAPORE - Australia and Indonesia, two of the main satellite users in the Asia-Pacific region, have expressed interest in proposals by Moscow to provide commercial launch services in competition with the United States. Western Europe and China.

Western diplomats see the offers of space cooperation as part of a wider effort by the Soviet Union to improve relations with the Asia-Pacific region and erase its image as an assertive military power.

One diplomat commented Thursday: "The Russians know they cannot match Japan, America and Europe in trade and investment. So they are concentrating on a high-tech sector where they feel they can really compete - space

services. A spokesman for Australia's nanal satellite system. Aussat Pty. Ltd., contacted by telephone in Sydney, said that a Soviet delegation had told the company last services on attractive terms for two space in 1990 at the latest. large communication satellites Australia wants to place into orbit

China, Mongolia Sign Treaty

HONG KONG - China and defines ways of handling border disputes, the official Xinhua press treaty had been signed Saturday at and Arianespace was heavily the end of a round of bilateral talks booked over the next few years. in Ulan Bator, the Mongolian capi-

The spokesman, Leighton Far- satellite it was carrying.

rell, Aussat's public affairs manag-

other groups were also interested and it would be up to the successful make launch arrangements. The four are Arianespace, the

Space Agency, China's Great Wall Industry Corp. and two U.S. companies that are planning to estab- form of a noncommercial loan" ish satellite launching facilities, and that Mr. Semenov had prom-Martin Marietta Corp. nost and tale

munications, said Wednesday that the Soviet Union had offered to launch a satellite that Jakarta had month that it could provide launch asked the United States to put into Soviet officials said offers of

peaceful cooperation in space had also been made to other non-Communist countries in ASEAN, the Association of Southeast Asian Nations, In addition to Indonesia, they are Brunei, Malaysia, the Phil-

ippines, Singapore and Thailand. Analysts noted that while inter-Mongolia have signed a treaty that national demand for satellite launches was increasing, the U.S. National Aeronautics and Space agency has reported. In a dispatch Administration had sharply remonitored here, Xinhua said the duced its commercial launch work

The European program has been grounded since May 1986, when

New Zealand as well as Australia. stroy the rocket and the \$90 million

Following the explosion of NAer, said the company, which is 75 SA's manned space shuttle, the percent owned by the Australian Challenger, with the loss of seven government, had been impressed astronauts in January 1986, Presiwith the serious commercial ap-proach adopted by the Soviet offi-that with few exceptions commercial satellites would no longer be But he said that at least four launched by the shuttle. Mr. Tahir said that Vladimir Se-

menov, the Soviet ambassador to bidder for the new satellite order to Indonesia, had relayed Moscow's offer to launch the satellite, which would be Indonesia's third, at a commercial arm of the European cost of \$40 million. He said that Indonesia wanted favorable financial terms "in the

McDonnell Douglas Corp. and ised to discuss this with his govern-Achmad Tahir, Indonesia's minNikolai I. Ryzhkov, the Soviet fairs manager, said Australia's en quality of the campaign films how Mr. Thatcher's program of 'substantial discounts" to develop-

> Analysis said the main barrier to ning in 1991. Soviet efforts to gain a substantial slice of the growing commercial

tralian and Indonesian satellites currently in orbit were made by U.S. companies.

> government for favorable consideration of its request for access to the shuttle service.

tion satellite, to be launched begin- the University of Liverpool. "But

Chirac Acts to Defuse Cabinet Crisis

By Julian Nundy

shipped to the Soviet Union. Most satellites made in non-Communist countries contain U.S. parts or technology. The four Aus-

Diplomats said that while Indonesia appeared to be genuinely in- er of going to Venice merely to terested in the Soviet offer, Jakarta was probably publicizing its interest to put pressure on the U.S.

Soviet state airline, Aeroflot, closed in 1982 after its chief representative

ation satellite was neo sovernment was prepared to grant to be launched aboard the pext cy, Saatchi & Saatchi. Ariane flight, tentatively scheduled ing countries tising satellite launch- for August. He said Aussat would paign in terms of professional orgaing services in the Soviet Union. It seek offers later this year for a nization and presentation," said would also insure the payloads, he second generation of communica- John Curtice, a political scientist at

two U.S. satellites. It has also won a ought to have been to start with, launch market was restrictions im- launch order for a Swedish satellite around 35 percent." posed by the United States on tech- and has offered its services to Indonology transfers. U.S. regulations nesia and other ASEAN countries. also been helped by the erratic per-uy.

quest to reopen an office of the Hugh Hudson, the director of Aides to Mrs. Thatcher did not was expelled on spying charges. dispute press reports that described Labor meeting, Gary Vogt, a nurse Mr. Farrell, Aussat's public afher as being furious about the leadmaking about \$15,000 a year, told

"Clearly Labor has won the cam-growing up in "a family of Labor ign in terms of professional orga-people."

Iran Expels Five British

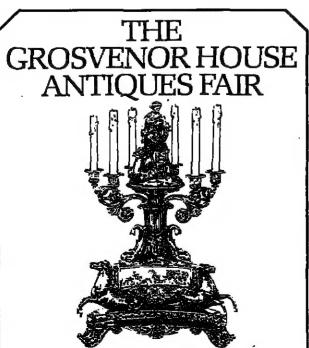
Wushington Post Service
LONDON — Iran ordered the

The Iranian press agency said the move was in retaliation for Britain's "unjustified" expulsion Thursday of five diplomats asigned to the Iranian consulate in Manchester. The consulate was or-

said that any retaliation by Iran would be unacceptable, they ap-peared somewhat relieved that Mr. Chaplin, described as a "criminal" by the speaker of the Iranian Parliament, Ali Akbar Hashemi Rafsanjani, would be returning home. There were fears that as long as

wartime, which can carry the death penalty. Officials in Britain refused to speculate on whether action would

Since Britain closed its embassy in Iran in 1980 for security reasons, it has maintained an interests section, with 19 accredited diplomats, under the Swedish flag in Tehran.



Grosvenor House, Park Lane, London W1.

10 June: 5.00 p.m.-8.00 p.m. Weekends: 11.00 a.m.-6.00 p.m.

Other days: 11.00 a.m.-8.00 p.m.

Children under 5 years of age will not be admitted.

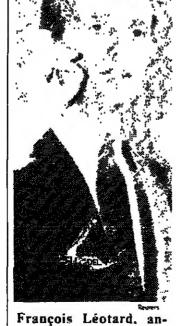
Admission price inclusive of Handbook: £8.00.

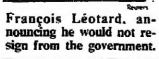
Charity Preview: 9 June 7.00 p.m.-9.30 p.m. Tickets: £50.

Enquiries: Telephone: (0799) 26699.

Lectures (16, 17, 18 june): £11 per lecture.







UNIVERSITY DEGREE SACHELOR'S . MASTER'S . DOCTORATE r Work, Academic, Life Experi

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minister for total loyalty. The affair blew up last week when Mr. Léotard, 45, said in a magazine interview that as a leader of the Union for French Democracy, he would not campaign for Mr. Chirac, a Gaullist, in the first round of presidential elections in

ll months

Mr. Léotard, the unofficial leader of a group of young ministers in the government known as "Leo's gang." also said that he may run in the 1988 presidential race, although polls indicate that he has little grass-roots support. On the face of it, there was little

unusual in Mr. Léotard's words as his political grouping, an alliance of several parties, is likely to field at least one presidential candidate of its own despite its place in the government alongside Mr. Chirac's Rally for the Republic. But his tone, including a reference to the Gaullists as "soldier

monks." or crusaders, irritated

The prime minister summoned Mr.

His Authority Appears Weakened in Dispute With Léotard between political activism and his **Diplomats** post in the government. Mr. Léotard, who was a novice monk for 18 months before enter-

from the cabinet at a rally of his Republican Party on Saturday. But the minister said in Frejus: "I am secretary-general of a major

shall remain so. I am a minister in the government and I shall remain His words were a clear rejection of Mr. Chirac's statement and put

However, on Sunday, Mr. Chirac, addressing Mr. Leotard as 'my dear minister." noted that Mr. Léotard had said he "wished to keep your ministerial post and would henceforth use your freedom of speech to ensure the success of the government and the victory of the majority and to help the French people. I agree willingly to your

Even some of Mr. Chirac's supporters said that he had made a miscalculation by issuing his ultimatum publicly. "Chirac has made a mistake."

said former Prime Minister Michel

Soviet Conducts Nuclear Test Reuter

MOSCOW - The Soviet Union many supporters of Mr. Chirac. conducted an underground nuclear explosion Saturday at the Semipa-Leotard on Tuesday and issued a latinsk test site in the Central Asian public communique saying that he republic of Kazakhstan, the official had told Mr. Leotard to choose news agency. Tass, reported.

By Karen DeYoung

expulsion of five British diplomats Saturday, including Edward Chap-lin, the No. 2 man in Britain's Tehran mission who was detained and beaten by Revolutionary Guards on May 28.

dered closed. Although British officials had

Mr. Chaplin remained in Iran, the situation could escalate dangerousy, possibly leading to a storming of the British diplomatic mission or the residential compound. The charges against Mr. Chaplin, although never lodged formally, were said by the Iranians to

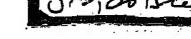
include drugs, corruption and un-

dermining the economy during

be taken against the 19 diplomats in Iran's London Embassy.











Costs, Threat of AIDS Will Be a Major Topic At the Venice Summit

When the heads of state and government of the seven industrial powers sit down Monday in Venice for the 13th such summit meeting. AIDS will be a major item on the agenda as potentially one of the biggest social, political and economic — as well as health — problems of the end of the century.

Apart from discussions about tergorism, past summit meetings have rarely strayed so far from a strictly economic and political agenda.

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Two years ago, it would have been difficult to imagine the summit discussing AIDS," said Jonathan Mann, the director of the Geneva-based World Health Organization's Special Program on AIDS.

Acquired immune deficiency syndrome, which breaks down the body's immune system and leaves the victim belpless against infections, began appearing in the United States in the early 1980s after a probable incubation period of at least five years. It first afflicted mainly homosexuals, intravenous drug users and people who received transfusions of blood tainted with

Now the fear is that it will spread as rapidly among heterosexuals as it has among homosexual men. If that happens, says the U.S. surgeon general, Dr. C. Everett Koop, "then we are in for unbelievable trouble."

According to officials involved in the preparation of the three-day Venice summit meeting the leaders of the United States, Canada, Ja-pan, Britain, France, Italy and West Germany are likely to declare AIDS a major world health problem, throw their support behind the World Heath Organization and back a meeting of health ministers to improve public education about the problem.

"We'd like to see out of that summit a reaffirmation of the global nature of the problem," said Dr. Mann, "And we'd like to see funds. We'd like to see resources."

tered a worldwide total of 51,535 officially reported cases of AIDS, including 36,000 in the United

WHO says the actual number of cases worldwide is probably more than 100,000 now, and that even in the unlikely event that a vaccine were developed immediately, up to 3 million new cases are likely to emerge in the next few years.

The organization estimates that up to 10 million people were infected with the virus that causes AIDS by the end of last year. Several million of them are in Africa, where the disease, more frequently than elsewhere, is passed through sexual relations between men and women.

Estimates differ as to what percentage of infected persons eventually develops the disease, but all can potentially pass the infection to other people.

By 1991, the number of cases in the United States alone is expected to hit 270,000; in Europe, 100,000. In Africa, because of incomplete reporting, no one knows.

Figures such as these put the problem firmly within the purview of an economic summit meeting, because the disease is likely to have a major impact on the world economy and demographic patterns.

The disease strikes hardest at the most productive sectors of society. In the United States, 90 percent of the victims are between the ages of 20 and 49. In Africa, WHO officials say, a fifth of professional people could succumb to AIDS.

This raises questions such as, will AIDS strip certain professions of young people in the United States and other countries? Will banks be willing to invest in African enterprises knowing them to contain a high proportion of infected people? How will it be possible to pay the cost of treating the disease on a

It costs up to \$150,000 to treat each patient in the United States. In Africa, where the average per capita annual health budget is only about \$1,75, adequate treatment of As of June 1, WHO had regis- AIDS already is impossible.



Divers, members of Italy's paramilitary police, patrolling around Isola di San Giorgio Maggiore in Venice on Sunday.

Canals Complicate Security Problems at Venice

VENICE - In recent days, aboard a lumbering armored launch that flew the Stars and Stripes, a Venetian pilot instructed an American Navy helmsman in the art of maneuver-

ing in the choppy Venetian waters. The point of the lesson was to avoid the kind of incident that occurred at the economic summit meeting in Venice in 1980, when a jolt to the yacht on which President Jimmy Carter was riding nearly tossed him into the murky waters.

The city of canals is a unique conference site. Also unique are the security problems faced by the organizers of the talks beginning here Monday.

An Italian security force of about 8,000 people will include a detachment of frogmen. reinforced by hundreds of security men from Western Europe, the United States and Ja-

The leaders of the United States, Japan, West Germany, France, Britain, Italy and Canada will hold their three-day conference on the Isola di San Giorgio Maggiore, a small private island across the Iagoon from St. Mark's Square.

Helicopters can land on the island, but the leaders will be brought to the site in motor

To insure safety, gondolas and other unauthorized craft will be banned from waters between St. Mark's and the island and its approaches. But this is vital turf for the gondolleri, the gondola operators, who have threatened to bill the city for \$150,000, money they say they are losing through forced

The gondolieri have been losing ground to the motorboat taxis that are increasingly attracting all but the most sentimental tourists. But taxi operators are not happy either.

The entire fleet of about 220 vessels has been pressed into service by summit organizers at a rate the operators say is far below the market price.

The participating nations did not hesitate to send their leaders to Italy. Though the country has been rocked by political violence

and Arab terrorist actions in recent years. there have been few violent crimes recently. In March, however, terrorists gunned down an Italian Air Force general on a Rome street. Last week, as if to display their control

several terrorist leaders. On Friday evening, the Venice airport was closed for one week to unauthorized traffic. And the lagoon, two days before the conference, vaguely evoked New York's Brooklyn Navy Yard, Italian and American Navy launches plied the waters, and two Italian warships lay at anchor near an American

of events, the police announced the roundup

Police helicopters circled the city, and armed vessels of the Guardia di Finanza, or Treasury Guard, a paramilitary force specializing in smugglers, circled Isola di San Giorgio Maggiore.

The greatest concern appeared to focus on the safety of President Ronald Reagan. Saturday, as the president traveled to Rome, Italian officials mobilized 5,000 men to pro-

Secord Denies Profiting From Iran Arms Sales In Interview, He Calls for a Chance To Testify Again to Refute Allegations

By Stephen Engelberg

Ven York Times Service WASHINGTON -- Richard V. Secord, responding to a barrage of congressional criticism, has insisted that he made no money from the Iran arms saies.

He said he was eager to reappear before the congressional committees investigating the Iran-contra affair to tell his side of the story. "I'm not a profiteer, and to keep on claiming that is simply false," he said in an interview Saturday. "We

were trying to do a job for the

president, and we did the best we

Members of the congressional committees say they have been working hard to establish that General Secord, a retired air force major general, made money on the arms sales because it illustrates a central theme of the hearings; that using private citizens in covert operations leads to waste, proliteering

and other abuses. Some members of the committee said last week that Major Secord should be recalled for further sworn testimony in light of evidence that he used money from the sales of arms to Iran and Nicaragua rebels, also known as contras, for personal purposes, including the purchase of a Porsche and an air-

In the interview General Second said he had bought the car and the airplane but that the money had came from a loan from his business partner, Albert Hakim, and from a separate consulting fee.

He said he did not know that Mr. Hakim had tapped accounts used for the Iran-contra arms dealings. General Secord also made these

points: He denied charges that he and his business associates had made profits of 60 percent or more on arms sales to the contras, as stated in a handwritten document describing one of several transactions. He said that he and his at-



Richard V. Secord

accounting of all SII million in sales, which would show the overall markup at 20 to 30 percent, as he has testified.

• He offered support for the committee's suspicions that Lieutenant Colonel Oliver L. North's wife, Betsy, had gone to Philadelphia to meet with a lawyer who was trying to find a legitimate way to transfer money to the North family. Nothing came of the trip, and he said that Colonel North later called it "a waste of time and a train ticket."

 He said he signed a waiver last week that will allow congressional investigators to inspect any bank accounts he has in Switzerland. The committee had been demanding the waiver and General Secord had delayed it for several weeks. although he said he has no Swiss bank accounts.

■ 3 More Israelis Are Called The special prosecutor in the Iran-contra effair has issued subpoenas for three more Israeli citizens, prompting a new round of protests from the Israeli government, U.S. and Israeli officials told The New York Times.

torney were preparing an Israeli officials said they were angered by the subpoenss and indicated that they might end cooperation with the special prosecutor, Lawrence E. Walsh.

> Among those newly subpoensed, they said, was Al Schwimmer, an Israeli businessman who was in-strumental in the clandestine transfer of American arms to Iran.

The other Israelis were reported to be Jacob Nimrodi, an Israeli arms dealer, and Amiram Nir, who served as a counterterrorism specialist in the Israeli government. Both were involved in the Iran arms sale.

Mr. Walsh created a diplomatic furor last month when he subposnaed David Kimche, the former director general of the Israeli For-eign Ministry, who helped broker the sale of U.S. weapons to Iran through Israel.

Mr. Kimche was allowed to return to Israel without testifying before the grand jury in the case but promised to return if so ordered by a federal court.

Votes To Admit Women

NEW YORK - The 122-year-

4.000 members.

U.S., in Random Survey, to Test 45,000 for AIDS

By Lawrence K. Altman New York Times Service

WASHINGTON - The government has announced that it will take random blood samples from Americans infected with the AIDS, virus. Participation is to be voluntary and anonymous.

Dr. Otis R. Bowen, the secretary of Health and Human Services, told participants Friday at an interthat the government also planned

Truth in Scheduling

flights and to reduce congestion and the danger of collisions comes from Elizabeth E. Bailey

and David M. Kirstein, both for-mer officials of the defunct Civil

Aeronautics Board, in a New

Senator Nancy Landon Kas-sebaum, Republican of Kansas,

has introduced legislation that would require airlines to provide

says that "carriers would face

fines if they continued the deceptive practice of listing optimistic rather than actual arrival times"

in timetables and computer reservation systems. This would en-

courage people to shift their flights away from peak periods, which airlines "now address by

charging higher prices for peak

York Times article.

Urged for Airlines

The campaign will be aimed par-

In addition, Dr. Bowen said, a federal study will look into the care about 45,000 people around the of AIDS patients, and special pro-United States as part of a national jects will be undertaken to reach survey to determine the number of and coimsel infravenous drug users, who are considered the likeliest conduit of the virus to the heterosexual population.

Dr. Bowen said that the chief aim of the blood survey would be "to find out the total extent of the national conference here on AIDS AIDS problem" and "the distribution of the virus." Government ofto begin a campaign to educate the ficials have estimated that 1.5 mil-

ticularly at people of school and the national Centers for Disease Control said health officials needed the survey to enable them to calculate more accurately how many Americans were infected. If the surveys are repeated, they can help assess the effectiveness of edu-

> are contracting the deadly viral in-Dr. Bowen said the 45,000 people would be selected from

throughout the population. Dr. Mason said that officials of the Centers for Disease Control public about ways to prevent the lion Americans are infected with were working with biostatisticians would be conducted on an anony-

cation and information programs

to determine how many Americans

Dr. James O. Mason, the head of can truly get a representative sample of the nation's population."

He said at least six months' preparation would be required before the study could begin.

He said the task would be difficult because health officials would have to assure themselves that enough members of the groups considered at high risk of contracting AIDS were included in the sample. Homosexual men and intravenous drug users are believed to account for about 90 percent of all reported AIDS cases in the United

Dr. Mason did not elaborate on his comments that the survey

spread of acquired immune defi-ciency syndrome. the AIDS virus, although many and experts in conducting random mous basis with voluntary partici-samplings to determine "how we pation.

Nicaragua To Cut Back On Fuel Use

By James LeMoyne New York Times Service

MANAGUA — Nicaragua's president, Daniel Ortega Saavedra, has announced a cutback in fuel use and warned Nicaraguans of the need for more severe economic restrictions because of the growing cost of the civil war. A central, though contested, te-

net of the Reagan administration's policy in backing the contra rebels is that the Nicaraguan government will not be able to survive the economic cost of the war and that the Nicaraguan people will conseentiy demand political cha

Mr. Ortega made his call for further economic restrictions at a national meeting of labor union leaders Saturday after several unconfirmed reports that the Soviet Union might reduce the amount
United States is that the West Euof oil it supplies. Nicaragua is almost totally de-

pendent on Soviet oil and lacks hard currency reserves to buy oil on the world market, so any cutback would have severe results. Mr. Ortega did not refer to any

potential Soviet reduction in oil. but he did refer to fuel shortages. He said there would be a 5 percent cutback in the use of oil and an unspecified increase in the price of gasoline.
Tomás Borge Martinez, the min-

ister of the interior, is visiting Eastern Europe, and some Western dip-lomats here have speculated that he to Mr. Reagan. In France, 45 per-cent said Mr. Gorbachev deserved may be seeking an increase in economic and other types of assisnicaragua's economy has been

ravaged by government misman-agement falling prices for agricultural exports and the U.S.-backed guerrillas, who have increasingly concentrated on economic saho-

There are shortages of most products, inflation is out of con-trol, and as much as half of state spending is estimated to go to the war effort and the army and militia. which number more than 100,000. Nicaragua's currency, the cordo-ha, has declined in value from 4,000 cordobas to the dollar on the

black market six months ago to almost 7,000 today. The Soviet Union and its allies now provide most of Nicaragua's economic and military aid, which U.S officials put at a billion dollars last year. Moscow provided an estimated \$86 million in oil to Nicara-

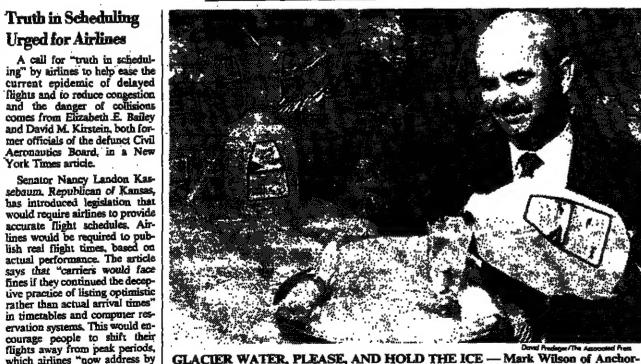
gua in 1986 alone. Mr. Ortega said measures would be introduced to assure fuel reserves for state agencies and the military.

The growing war has placed heavy demands on fuel supplies as the Nicaraguan Army flies more helicopter sorties and uses more trucks to take troops into the field. But even as he acknowledged the

increasing cost of the war and the need for further economic restrictions, Mr. Ortega repeatedly and angrily vowed that the rebels would never win and that his government would never negotiate internal political questions with the rebels or i with the U.S. government. But he added that Nicaragua had

always been willing and remained willing to negotiate security issues with the United States.

AMERICAN TOPICS



age, Alaska, pouring a sample of the melted glacier ice that he is marketing. He says it is selling well in Japan, where he expects 300 tons to have been sold by the end of June.

The article says this would be more effective than such other the profits of its sister radio stalegislative proposals as requiring airlines to publish the percentage of their on-time flights: "This tion, WEVD-FM. In short, the Forward is the victim of its own success in getting immigrants out of the ghettos and into the midinformation is too general to help consumers. They want spedle class. The readership is aging, cific information" about specific but the paper has never made a demographic study. As Simon Weber, 76, the editor, says. If "It would not cost the airlines we found out, can we do some-thing about it?" And will the paper make it to 100? Mr. Weber

any more money to provide cor-rect information. They already generate accurate delay tables for internal use. The same information, privately compiled, can be obtained for \$3,000 a miracles isn't a realist." year, and "Congress should make this information freely available to all consumers."

Short Takes

Manhattan's Viddish-language Forward is 90 years old this year. Circulation, which reached 238,000 in 1917, is down to about 20,000. It changed from a daily to a weekly five years ago: the editorial staff, once 70, is now three, and the paper has a loss of \$400,000 a year, which is met by

Notes About People

John T. Agresto, deputy chair-man of the National Endowment for the Humanities, is withdrawing his candidacy to become ar-chivist of the United States. President Ronald Reagan nominated him more than a year ago. Some archivists and historians said Mr. Agresto would have politicized the post, an assertion he rebutquotes a former Israeli prime ted. The archivist has the authority to determine which presidenminister, David Ben-Gurion: tial papers and other major "Anybody who doesn't believe in government documents are made public, "It had dragged on for a year and a hulf." he told The New York Times, and had become "a partisan political bat-

Air force flight crews are to have leather flight jackets again as part of the drive to keep experienced fliers in the service. The cashing fleece-lined jackets, which each more than \$100. Senator Joseph R. Biden Jr., who is expected to declare forwhich cost more than \$100 apiece, were dropped in favor of nylon after the air force became independent of the army in 1947. mally his candidacy for the Democratic nomination this week, was asked about his repu-tation as a hothead. "I think The navy kept them. The flight-jacket initiative was suggested by there are certain things that warrant being angry." said the Demfield commanders as a means of ocratic senator from Delaware, who distinguished between being enhancing esprit," said Lieutenant General Thomas Hickey, angry and losing one's temper. deputy chief of personnel.

As to the reputation for having a quick temper. "I don't know that I will ever overcome that, any more than other candidates will overcome their reputation for

Parental Paranoia And Private Schools

A New York Times reader, Neva Sharon, recounts how she was trying to enroll her child at a well-known private school. The admissions director asked her over the telephone for particulars. "I gave her our surname." she recounts, and, after giving her husband's first name as Andre, was asked "Does he have an accent?"

Raised in a French-speaking community in Egypt, he does in-deed. Mrs. Sharon recounted, but, bristling at the question, she replied. "Pardon me?" "Your husband," came the reply. "Does he have an accent on

-ARTHUR HIGBEE

the system on cold instead or not. wormed about, said vie DePaula, posal will figure as a major bar-

U.S. Poll of Europeans **Credits Soviet on Arms** more credit, while 16 percent said By Michael R. Gordon

New York Times Service
WASHINGTON — West Euro-

control, despite American efforts to portray movement toward a new approach, according to a govern- siles. ment survey. The survey, prepared by the U.S.

not been a public relations success. the United States. One bit of good news for the ropean public does not generally believe that an agreement that eliminates medium-range missiles would reduce the American com-

mitment to defend Europe. The survey also made the following points: It said that by an "overwhelm-

ing margin," the Soviet leader, Mikhail S. Gorbachev, received

that Mr. Reagan should get the credit. In West Germany, 72 perpeans give the Russians most of the credit for recent progress in arms percent gave the credit to Mr. Rea-West Europeans are more like-

accord on medium-range missiles ly to think, incorrectly, that the as a vindication of the Reagan ad-Russians devised the "zero option" ministration's tough negotiating to eliminate medium-range mis-

In Britain, 30 percent of those polled thought that the Soviet Information Agency, examined at-titudes in mid-May in Britain, and 20 percent said the offer was France and West Germany. The first made by the United States. In results have been presented to Pres- France, 42 percent believed that ident Ronald Reagan, but they the Soviet Union was first and 34 The survey suggests that one of States who made the first offer. In Mr. Reagan's most important bids for public support in Western Eu-the Soviet Union, while 21 percent rope, the so-called zero option, has said that the offer was first made by University Chib in N.Y.

> The European public does not display much confidence that either side would abide by a new

that they were not confident the one of the most prestigious, has treaty, while 46 percent had doubts women. about the Soviet Union.

most of the credit for arms-control serve the treaty, and 54 percent. University Club and two others 18 In Britzin, 63 percent thought that Mr. Gorbachev deserved the credit, while 13 percent gave credit to Mr. Reagan. In France, 45 percent bad doubts about Soviet of the University Club has compliance.

New York Times Service

ln Britain, 49 percent indicated male club in New York City and United States would observe such a voted to open its membership to

The New York City Human In France, 38 percent doubted Rights Commission brought dis-that the United States would obwere unsure of the Soviet Union. In months ago, and, according to a

INTERNATIONAL POSITIONS

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INTERNATIONAL HERALD TRIBUNE, 92521 Neutility Cedex, France.
Tel: (1) 46.37.93.21. Telex: 613595 By David Hoffman

ROME — Pope John Paul II has issued a renewed appeal to President Ronald Reagan to end the arms race and cautioned against those individuals and nations that have rejected or "given mere lip service" to moral and spiritual val-

The pontiff told Mr. Reagan that moral and spiritual values must be "truly integrated into daily life."

The presidential spokesman, Marlin Fitzwater, quoted Mr. Reagan as reporting that he and the pope devoted most of their 55-minute private meeting Saturday to U.S.-Soviet relations and the Soviet leader, Mikhail S. Gorbachev,

Mr. Fitzwater said that Mr. Reagan gave the pope "a status report" on the Geneva arms control negotiations and "said he was optimistic about an arms control agreement.

But on a day in which the two leaders discussed the arms race there was a poignant symbol of the object their concern — one mem-ber of the White House party greet-ing the pope was Major Ron Thomas, the president's military aide who carried the nuclear "football" containing codes the president would need in the event of a nucle-

Speaking after his meeting with Mr. Reagan, the pope urged the president to accept policies of "international cooperation" and to look at "enemies" in a "new perspective, as brothers and sisters in the human family."

But Mr. Reagan used his remarks at the Vatican to criticize one of his most frequent adversaries, the Soviet Union, and other ernments that have repressed the freedom to worship.

Mr. Reagan said the "power of the spiritual force" had been demonstrated in Poland, a reference to the rise of the Solidarity labor movement, "just as we see the powerful stirrings to the East of a belief that will not die, despite genera-

Nancy Reagan joined the pontiff and the president after the meeting for a discussion of her anti-drug



President Ronald Reagan speaking at his meeting with Pope John Paul II. Vatican officials are at rear.

VENICE: U.S. Moscow Discussed Summit, Baker Says GULF:

(Continued from Page 1)

cussed the possibility of a summit meeting between Mr. Reagan and Mr. Gorbachev. He refused to speculate on a summit conference in October, which officials have entioned as a possibility, but said that if there were an accord on the medium-range missiles "something in the fall sounds reasonable."

He said there were still "some difficult questions such as verification" to be resolved on the draft treaty, but added. "We've gotten far enough on substance so there is some general discussion on dates."

Their comments were made on the eve of the 13th annual economic summit meeting of seven industrialized nations.

Diplomatic sources said the

United States and Canada were resisting West German efforts to hedge an earlier agreement to reduce global agricultural subsidies. These sources said that since the

SUMMIT: Reagan Faces Pressure

(Continued from Page 1) less than 24 hours at the three-day

summit meeting here, will be meetstrike was staged against that ing with Mr. Reagan for the first time since she held extended conversations with Mr. Gorbachev in Moscow at the end of March. She returns to London on Tues-

Britain's parliamentary elections. which will be held Thursday.

Having agreed to put aside their reservations about the "double zero" option proposals for eliminating U.S. and Soviet land-based auclear missiles in Europe with a range of more than 300 miles (about 500 kilometers), Mr. Kohl. Mr. Mitterrand and Mrs. Thatcher will want to hear from Mr. Reagan periority in conventional forces in ported terrorist groups in France.

sone of Japan also has a strong erners if American raids were direct interest in the medium-range staged against Iran was also taken accord, which leaves Moscow with into account in the decision to pass the right to station 100 such war- quiet advisories to French busiheads in Asia while eliminating

some are also certain to try to use the meeting to try to cool the increasingly belligerent exchanges according to diplomatic sources between Iran and the United States

Here again, the swiftness with which Mr. Reagan has replaced one questions in the minds of policy makers abroad about the quality and character of the analysis on which the president is making foreign policy decisions.

moderates in Tehran with arms French and British involvement shipments and then defending that decision as recently as March by to convey a better sense of where saying that Iran had stopped terrorist actions, Mr. Reagan is now allied diplomats say.

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regularly denouncing Iran in the kind of terms that he used about

Libva before an American air

North Africa country in April

An administration campaign to call attention to threatening Iraniday to resume campaigning for an statements and actions has increased concern in European capitals that Washington might welcome a chance to shift attention away from Mr. Reagan's domestic troubles with an air strike against targets in southern Iran.

its citizens to leave Iran unless their presence there is absolutely essential. The warnings are said to have been related to a roundup French about U.S. plans for dealing with police conducted last week of susthe remaining Soviet numerical su- pected members of Iranian-sup-

But sources say that concern Prime Minister Yasuhiro Naka- over mob reaction against Westnesses working in Iran.

Both France and Britain come to The Europeans and Mr. Naka- the summit meeting prepared not

Both nations turned down requests from Kuwait to get more directly involved in protecting civilian shipping in the Gulf while policy with its opposite has raised the Reagan administration ultimately agreed to do so.

France has already rebuffed Washington on this request, while Mrs. Thatcher has only said that she would consider it. Any renewed After attempting to influence effort by Mr. Reagan to get greater would succeed only if he was able such actions were likely to lead.

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Paris meeting last month of finan-cial ministers at the Organization mance in one area. D-RAM chips. of Economic Cooperation and Development, the West Germans have backed away from language aimed at reducing "excessive" farm sup-

Hints about relaxing the sanctions on Japanese products were James A. Baker 3d, as well as the interviews with Howard Baker and Mr. Carlucci.

The three officials said that the data on semiconductor dumping did not justify the complete lifting

that there had been "marked im-

the mass-produced basic memory

On CBS, Howard Baker said the president "has already indicated" would like to lift the sanctions "as soon as the data justifies it." He added: "It's possible that an anmade in another television inter- nouncement on semiconductors view with Treasury Secretary will come out. I would not be surprised. But I expect the issue will not be finally determined at this conference."

The "marked improvement" referred to by James Baker reflected what he described as a gain from 60 percent to 80 percent in the U.S. But James Baker said on ABC market share for the D-RAM

Pontiff Inaugurates Year Dedicated to Virgin Mary

VATICAN CITY - Thousands of Roman citizens, pilgrims and tourists packed into Saint Peter's Square-at midnight on Saturday to attend a Mass held by Pope John Paul II to celebrate the start of a year of devotion to the Virgin Mary.

During the ceremony, lit with candles and floodlights, the pontiff welcomed the opening of the Marian year, which is a period of 14 months specially dedicated to the mother of Christ. The Marian year ends Aug. 15, 1988.

The pope has a special devotion for Mary, who he believes saved his life in 1981, when he was seriously wounded by a Turkish gunman. The shooting took place on the anniversary of the day she is said to have first appeared to three shepherd children in Fatima. Portugal.

The pope officially inaugurated the Marian year Saturday night with a televised recital of the rosary from Saint Mary Major basilica in Rome, the oldest church dedicated to the Virgin. As the pope recited the rosary, the Catholic Church's traditional

orm of prayer to Mary, satellites linked him to 16 Marian shrines throughout the world, including three shrines where Mary is said to have appeared: Fatima, Lourdes in France and Guadalupe in Mexico. The organizers of the broadcast, a private American television company, said 18 satellites beamed the ceremony to 28 countries on four continents, allowing 1.5 billion people to see and hear the pope.

POPE: Possible Opening to Moscow

(Continued from Page 1) All of these activities could irritate and embarrass Communist leaders. ization" and recent advances in General Jaruzelski's international

ical conflicts in favor of the possi-

ble broad new agreements. Only a swelling of spontaneous popular enthusiasm for Solidarity and a subsequent confrontation between society and government during or after the pope's visit could easily undermine this new trend.

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government and church officials The chief elements of the new ic relations between Warsaw and

INTERNATIONAL CLASSIFIED

(Continued From Back Page)

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Vatican and the enshrinement of Sliwinski, who is a Catholic writer. the Polish church's privileges and powers in law. The two steps have long been linked in negotiations. who clearly hope to use the trip to though the Polish primate. Cardi-consolidate the nation's "normal-nai Jozef Glemp, recently hinted that they may occur separately.

For the Polish church, the two moves could have the effect of sta-The church hierarchy and gov-bilizing and consolidating the erament officials appear ready to play down their longstanding polit-the return of such church institutions as the Caretas charity network, which was seized by the state during the Stalinist era,

However, some Polish bishops believe the moves, particularly the establishment of relations with the Vatican, could increase the risk of state interference in church affairs. "Relations with a Vatican led by

a Polish pope sound great," said a Western diplomat, "But no one is stage of relations are the prospec-tive establishment of full diplomat-might try to use the Vatican to go over their heads here."

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a bargaining point, not a real obsta-Both sides are now working on

proposals for verifying destruction weapons to be removed from Europe and have agreed to technical talks in the near future. There are problems about where

and how near to the point of destruction each side's observers would be allowed, because when the warheads are open they can

reveal engineering secrets.

Mr. Vorontsov said the United
States was also holding our against factory inspections, having agreed to inspection in principle but insist-ing that monitors should stay outside factory gates because going inside could violate commercial rights of secrecy. Moscow wants both sides to have the right to go

The details of both destruction of missiles and verification are a new exercise, he pointed out, an historic precedent that could facilitate later agreements on reduction of strategic missiles and chemical weapons. He said both sides were aware of this and were studying the details involved and then would discuss the technical problems to-

One serious issue is the destruction of solid fuel missiles, which are very dangerous to dismantle. There are proposals to put dummy warheads on them and shoot them into the ocean, or to send them intospace as launchers of commercial

On Afghanistan, Mr. Vorontsov said the Soviet Union believed a solution was possible by establishing a patchwork coalition, leaving chiefs in full control of the territory they now command.

King Mohammad Zahir Shah. deposed in 1973 and now in exile in Italy, could return as a leader bringing peace, he said, but he could not again become the ruler.

The attitude of Mr. Vorontsov seemed to confirm U.S. official views that the Soviet Union was not yet prepared to withdraw from Afghanistan without being assured of leaving behind a viable central government that would be friendly to the Soviet Union, even if it had only limited power in the rest of the

He answered questions about the conciliatory tone, saying the Russians had proposed drawing up a Russians would then say which ted. ones they considered compatible and which ones they considered objectionable.

When he offered this interim sotions on reduction of strategic mis-FRANKPURT "TOP TEN" ESCORT Service. (69 55-88-26 KATRINA ESCORT SERVICE London tests Washington could make. LONDON BLONDIE ESCORT Service.

Soviet territory. This is considered

The rebel leader's appeal coincided with a call by Archbishop Desmond M. Tutu, who urged Mr. Botha not to reimpose a 12-monthold nationwide state of emergency

Botha's Steps

By John D. Battersby

surprise appearance at a meeting of

businessmen here with a message of support for President Pieter W.

Botha and a rebuke for South Afri-

can black leaders who refused to

negotiate with Mr. Botha. Mr. Savimbi, who has been fight-

ing an 11-year-old guerrilla war

against the Angolan government.

"changes" in the country's apart-

domination of the black majority.

changes," he said Friday night.

President Botha needs support

spoken endorsement of Mr. Botha.

color but would develop along

of Angola is based in southern An-

ideological lines.

JOHANNESBURG — Jonas

To Change

Apartheid

The Anglican archbishop called noon on Thursday, the day before emergency. He asked all Anglicans to wear black armbands "as an indication of our grief and distress at the effects of the state of emergen-

Savimbi Hails AIDS: Progress in Treating Patients

(Continued from Page 1) Allergy and Infectious Diseases.

Beginning treatment early, be fore the virus has had the time to fore the virus has had the time to

damage the body and when the body is better able to withstand the side effects of the drugs, seems to he receiving more emphasis. researchers reported.

A large study is being organized to use AZT to treat people infected with the AIDS virus but who do not have symptoms. The researchers want to determine whether AZT treatment can halt the progression of the virus and prevent symptoms from developing. In another report. Dr. Fauci's group at the National Institutes of

group at the mational distributions but it has to be taken for the rest of bone marrow from healthy twins into their infected brothers who have AIDS to see if this strategy can rebuild the immune system. Ten AIDS patients have been treated for 12 weeks with AZT and

then given bone marrow transpraised Mr. Botha for initiating plants from their identical twins. Some continue to receive AZT. heid laws, which entrench white while others do not. One patient treated with a bone "President Botha has started the year and a half ago, and not part of "I'm criticizing black leaders in South Africa. Why don't they talk? the 10-patient study now under

way, is still alive after several trans-Someone who is running away plants. But his course has been from talking has something to rocky, Dr. Fauci said. No results are yet available on

the 10 patients, and it is not yet now." Mr. Savimbi said in his outclear whether bone marrow transplants, with or without AZT, will He was warmly welcomed by Foreign Minister R.F. Botha. who said the future battle in South Afribecome a standard treatment.

A number of other drugs are also being tested to determine whether ca would have nothing to do with they can boost the immune system, though they probably cannot re-

This was not the first time that Mr. Savimbi, whose National Union for the Total Independence One, called GMCSF, a hormone that stimulates the production of certain white blood cells, does not gola, has appeared in South Africa, but it was his most public visit so appear to have an immediate impact on AIDS, but it may prove useful in preventing some of the opportunistic infections associated

Another is IL-2, a natural hormone that stimulates production of white blood cells, including those killed by the AIDS virus. Dr. Lane said that IL-2 increases the number on his clergy throughout South Af- of white blood cells in the AIDS rica to toll their church bells at patient, but IL-2 alone "is of minimal, if any, clinical benefit." But if the first anniversary of the state of combined with other drugs such as AZT or interferon, IL-2 could become a powerful treatment. In the late stages of the disease,

AIDS patients "are like time bombs," Dr. Fauci said. They de-

Besides progress in lighting the virus itself, researchers have found

Two infectious, a type of bacterial pneumonia and cytomegalovirus infections, cause many of the AIDS deaths. Trimetrexate, a drug similar to the anti-cancer agent methotrexate, appears to work against the pneumonia and cause fewer side effects. Another drug, called DHGP seems effective in control. ling cytomegalovirus infections.

the patient's life. The progress of the last few year has been rapid, a number of researchers said. Much progress has come from the ability of molecular biologists to dissect the genetic structure of the AIDS virus in the

laboratory. Scientists have now isolated most of AIDS viral genes. Understanding the virus's basic machinmarrow transplant more than a ery has given researchers targets for

6 Israelis Arrested On West Bank

MIN) W

New York Times Service JERUSALEM — Six Israelis from the West Bank settlement of Kiryat Arba were acrested early. Sunday after dozens of settlers converged on the entrance to Daheisheh refugee camp late Saturday night, fired shots in the air and vandalized property to avenge te-cent anti-Israeli violence, police

The catalyst for the confrontation Saturday night at the camp, near Bethlehem, apparently was an incident Friday in which a Kiryat Arba woman was injured by rocks hurled at the bus she was riding a Kirvat Arba resident said

In a separate development, the responsible for the fatal shooting of a 35-year-old Nablus men during a demonstration on May 26 had not acted in accordance with rules for opening fire" and would stand trimust be fired in the air or at the legs

He later created a replica of the monument at the Yad Vashem Ho-

locaust Memorial in Jerusalem.

Lon Tuck, 49, Music Critic

For The Washington Post

WASHINGTON (AP) - Lon

Tuck, 49, a music critic for The

Washington Post and a former

managing editor of the newspaper's Style section, was found dead at his

home Thursday of epilepsy and

He was born in Sherman, Texas,

and received a bachelor's degree in . English from Princeton University

Mr. Tuck was one of the first

heart ailments.

Sentencings

BEIRUT — A group that calls and its replica in Jerusalem, died itself the Forces of the Prophet Moitself the Forces of the Prophet Mo-hammed in Kuwait threatened pital of cardiac arrest, a hospital Sunday to kill Kuwaiti leaders if the emirate carries out death sentences passed down against six Kuwaiti Shiite Moslems accused of

ing a meeting of the Organization ground to drive out German of the Islamic Conference in Ku-

down planes carrying conference participanu.

The death sentences against six Shiite Moslems for sabotage and subversion was the first such order against Kuwaiti citizens in more than three years of Iranian-inspired acts.

day, ended a two-month trial of 16 men. Diplomats said they were of Iranian ancestry. In addition, one U.S. space defense program in a man was sentenced to life impris-

Shiite Moslem communities,

siles to the chief U.S. negotiator in out previous death sentences, is Geneva, Max M. Kampelman, Mr. coming under increasing pressure Vorontsov said the American dele- to do so in this case to demonstrate gate replied by suggesting that the the state's will in stopping sabotage Russians wanted to control which attacks, according to Kuwaiti Sources. (AFP, WP)

Western news agency in Beirut, the group warned the emir of Kuwait, Sheikh Jaber al-Ahmad al-Sabah, and his family, as well as "the

The decision, which came Satur-

onment and seven to lesser jail terms. Two men received suspendlist of allowable experiments. The ed sentences and two were acquit-Western diplomats and Kuwaitis with the anti-ballistic missile treaty saw the verdict as a confirmation of

The emir, who refused to carry

Bring Threat On Kuwait

sabotaging Kuwaiti oil fields.

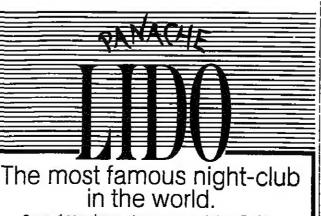
In a statement received by a

the deepening split between Kuwait's ruling Sunni and minority

wait in January, when it claimed to have started fires in Kuwaiti oil A few days later, it claimed re-

lution to unblock further negotia. caused largely by the Iran-Iraq war.

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Natan Rapoport, 76, Dies; **Sculpted Warsaw Monument** sary of the Warszw Ghetto upris-ing. In the 1943 uprising, 60.000 Jews bettled for a month against

NEW YORK — Natan Rapo-port, 76, the sculptor of the War-saw Chetto Monument in Warsaw

women said Friday. Mr. Rapoport was born in War-saw and educated there. During World War II, he worked as a sculptor in the Soviet Union. At the war's end, he proposed

the building of the monument to the Polish government. He placed the 20-foot (6-meter) stone, originally cut for Hitler's vicwhole American regime" of the tory monument in Berlin, atop the Gulf state, "against any harm done ruins of the ghetto that had been to our mujahidin," or Islamic fightters of the Warsaw upris The group was first heard of dur. 1944 attempt by the Polish under. 1961 as a copy boy.

sponsibility for a bomb attack in the capital and threatened to shoot NORTH: Man at Center of Deal

(Continued from Page 1)

state and Mr. Reagan's "point man" for Central American policy, were quick to denounce other officials involved in the affair.

However, they have been notably reticent to criticize Colonel North, who was dismissed from his National Security Council staff position in November after his role in diverting profits from the sale of arms to Iran to aid the Nicaraguan rebels became known.

However else history judges him, he is likely to go down as one of the person." most remarkable secret agents America has known, if not the most remarkable, and almost certainly as one of the most important witnesses in presidential history.

To his admirers, he fills a void in the heroless America of the 1980s. To his detractors, he is a consummate con man, the worst of the Cold War types and a man whose secret operations skirted if not violated the law and produced the most serious confrontation between the White House and Con-

gress since Watergate.
The range of his activities now disclosed is staggering Colonel As Envoy to U.S. North seems to have been at times acting president and prime minister without portfolio. He was the commander in chief of the secret army, air force, even navy, formed support to the Nicaraguan rebels.

tireless operative who hardly, it seems, had time to eat or sleep. And, of course, he was Mr. Reagan's "national hero." Yet, as the testimony suggests, Colonel North was also betrayed or a betrayer, or both. He seems destined to end up as the Iran-contra affair's dupe or villain, or both.

One key member, who has been examining the record on Colonel bloc, and Foreign Minister Shimon North for many weeks, said, "He Peres, of the Labor Party, had been comes over as a far more complex unable to agree on a candidate person than the picture of him since November.

editors on the Style section when it The monument, built with funds started in the late 1960s and was from around the world, was unveiled in 1948 for the fifth anniver-from 1972 to 1976.

Speaking of National Security Council classified computer messages, the member said, "The picture of him then, produced by his own private words from those NSC

profs is of a relatively simple gung ho guy. "It's like the Nixon tapes: Once those became public, you had the real portrait of Nixon. That's not so with North. He is much more complex, much more manipulative, much more imaginative and, would say, a driven and devious

The committees have a long way to go in determining whether the Iran-contra affair was a well-intended scheme gone catastrophically awry or a case of classic corruption, or perhaps both. But they already know one fact. At the center of the riddle stands the figure of Oliver L. North.

Israelis Name Career Diplomat

Reuters JERUSALEM — Israel's cabinet on Sunday appointed a veteran career diplomat, Moshe Arad, to be to provide arms to Iran in exchange ambassador to the United States, for hostages and to provide covert according to a spokesman for Prime Minister Yitzhak Shamir. -Testimony thus far shows that he

was also fund-raiser, speechmaker, The decision comes after months political strategist, negotiator and of political wrangling over the post. U.S. officials must approve the appointment before Mr. Arad, 53, can assume the post, the spokesman said after the weekly cabinet meeting.

> bassador in the United States since May 31, when Meir Rosenne's term expired. Mr. Shamir, leader of the Likud

drawn, for example, in the Tower commission report."

Mr. Arad's last post was as ambassador to Mexico.

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Israel has been without an am-

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Portugal	Esc.	22,000	12,000	6,600	Esc. 64,56	Esc. 23,500
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The European Corporate Electronic Publishing Conference & Extinuition

The Summit Charade

The leaders of the industrial world does Japan appear to be serious about stimuannounced purpose of holding an economic conference. They face a crowded agenda but need to make room for one more topic: Restore the idea of serious annual exchanges on economic policy, or end the charade. What began as a chance for Western leaders to have freewheeling talks beyond the reach of their bureaucracies has become a choreo-

graphed bull session and photo opportunity. This will be the 13th meeting, and it looks to be the most disappointing. World economic conditions are precarious and the road to resolution unclear, with growth slowing to a crawl, protectionism threatening trade, financial markets jittery and Latin America still floundering in debt. The need for coordinated action is critical; failure would thus be the more irresponsible.

Barring a well-concealed surprise, the conference in Venice will produce little more than solemn reaffirmation of old, empty pledges from all seven participants: the United States, Japan, West Germany, France, Britain, Italy and Canada. Most are immobilized by domestic politics. But the real problem is that the three principal powers - the United States, Japan and West Germany stubbornly refuse to make adjustments to

improve the global economy.

Washington should be making credible reductions in the budget deficit, and should not be raising new barriers to trade. Tokyo should be tearing down its trade barriers, not merely promising to do so; and only now

trooped to Venice over the weekend for the lating its economy. The West German economy nomy also needs pumping up; yet despite mounting evidence of slack. Bonn insists that no more juice is necessary, and has done next to nothing. And all three should be coordinating efforts to pull the world back from the brink of recession, ease the Latin debt burden and stabilize currency exchange rates.

The responsible economic and financial officials of all three countries meet frequently and have made these points, endlessly. Their bosses will be no more flexible, or persuasive. In two days together they will not even spend much time on these issues. In recent years, largely at the insistence of the Reagan administration, more and more noneconomic subjects have been jammed into the allotted 48 hours. This year the agenda will include arms control, terrorism, international drug trafficking, the spread of AIDS and, as a last-minute addition, the Gulf.

When Valery Giscard d'Estaing was president of France in 1975, he had a good idea. He invited President Gerald Ford and the leaders of Japan, West Germany, Britain and Italy to a palace in Rambouillet for a weekend of unstructured talk about economic issues. He saw the world becoming more interdependent, and a need for its leaders to meet face to face and speak frankly.

Structure, panoply, noneconomic issues and posing for group photographs have overwhelmed that worthy concept. Watch it this week, slipping into the sea like Venice itself.

- THE NEW YORK TIMES.

Rules of Engagement

Inside its councils and outside, the Reagan administration is experiencing some turbulence in shaping policy for the Iraq-Iran war. Good. The administration had not adequately prepared the rationale or the operating guidelines for its new plan to "reflag" and escort Kuwaiti tankers in the Gulf. The attack on the USS Stark, mean and costly in American lives, changed all that: It precipitated the full-scale review that should have begun before the president, under pressure to compensate for secret dealings with Iran. moved last January to reassure moderate Arabs by beeling up the American fleet.

Senator Claiborne Pell chairman of the Foreign Relations Committee, has introduced a bill that crystallizes doubts about reflagging and which will give focus to a debate of the sort the administration eluded when it decided not to invoke the War Powers Act. Mr. Pell believes it unwise to adopt the shipping of "quasi-belligerent" Kuwait. lraq's "ally, financier and port access point." He thinks that reflagging is dangerous and that, when it proves so, the public will halt it. It would be better, he believes, to go to the United Nations for an arms embargo on Iran, peacekeeping and diplomacy.

We think he is wrong and that there is an answer to his argument in the requirement to brace the moderate Arabs, to strengthen whatever inclination revolutionary Iran may

keep Moscow from becoming Gulf protector by American default. Nor does Senator Peli take account of the UN record of frustration in the Gulf. Mr. Reagan, however, has centered his policy pleading on the implausible prospect that a cutoff of Gulf oil could come soon. leading to long lines at American gas stations. He must do better than that to keep the Pell vote from embarrassing his policy.

Meanwhile, officials ponder the rules of

engagement that should guide American ships protecting the Kuwaiti tankers. The shadow of Beirut, where American military men were given a mission that exposed them to heavy risk and orders that restrained their self-defense, necessarily overhangs the proceedings. This is the context in which the extreme option of pre-empting fran's new but not-yet-operative missiles at the mouth of the Gulf comes up. Reading about it in the paper will no doubt persuade some people that the whole Gulf exercise is just too chancy. The important thing, however, is that rules of engagement both serve an appropriate mission - and the mission cannot be to go to war with Iran - and address expected risks. It is awkward to thrash out these matters in semi-public, but this is the way to develop a sound policy, and to ensure

Gandhi Fans the Flames

India calls it "humanitarian aid" to beleaguered Tamiis threatened with massacre. Sri Lanka vehemently denies atrocity charges and denounces India's air drop of supplies as "a naked violation of our independence." Rajiv Gandhi of India has become as much field marshal as prime minister, while armies mass on all the s fault lines. It is past time for him to stop all the marching and to restart negotiations on four fronts.

Chinese and Indian troops are reportedly reviving a boundary dispute that in 1962 led to a war. Mr. Gandhi is staging nonstop military maneuvers on the India-Pakistan border, in anger over Islamabad's nuclear ambitions and its U.S.-aided arms buildup. And within India, the Punjab is again torn by violence between Sikhs and Hindus, while Hindus and Moslems step up violence against each other in the northern state of Uttar Pradesh.

Such internal violence is an old Indian problem: the frontier maneuvers are most probably shadow-boxing; and Mr. Gan-dhi's resort to big-stick diplomacy in Sri Lanka recalls Indira Gandhi's belligerence with smaller neighbors. Mr. Gandhi begins to look like his testy and authoritarian mother, but without her cunning.

It is in everyone's interest to stop the killing in Sri Lanka, resume negotiations and prevent two ethnic communities from embroiling the world in their civil war.

Dismavingly, India has plunged into intervention before independent monitors established what happened in Sri Lankan sweeps against Tamil insurgents on the northern Jaffna Peninsula. There is more than a suspicion that Mr. Gandhi wanted the headlines, not the evidence, in first ordering a flotilla to carry aid to rebels. ing an airlift dared to block the relief boats.

Standing tall for two million Hindu Tamils against Sri Lanka's Buddhist Sinhalese belps Mr. Gandhi at home - especially heading into Thursday's critical election in the northern state of Haryana. The ruling Congress Party has lost a string of local elections, and badly needs a victory.

Mr. Gandhi can truthfully say that he tried to mediate, and that twice Sri Lanka's president, Junius Jayawardene, withdrew concessions under pressure from hard-liners. But this ignores atrocities committed by Tamil terrorists, New Delhi's inability to clamp down on their training camps and to prevent the arms flow across a narrow strait. And in December. Mr. Jayawardene came up with an autonomy compromise. Mr. Gandhi liked it, but Tamil militants rejected it furiously.

Mr. Gandhi did not light these fires but he is now fanning them. Where is the calm. good-humored and conciliatory Rajiv Gan-dhi who so impressed the world a year ago? -THE NEW YORK TIMES.

Other Comment

Talking About AIDS in Venice the Bavarian government on May 19 im-

There are pressing reasons for talking about AIDS at the Venice summit meeting. The World Health Organization needs \$37 million in voluntary contributions this year to launch its Special Program on AIDS. The work of WHO will be facilitated by a summit declaration acknowledging the central role of the organization.

And the seven powers can play a significant role in resisting the extremism that already has taken a toll in two nations represented at the Venice meeting. In West Germany, in defiance of the federal government,

posed a mandatory AIDS testing program for all persons seeking public office, as well as for non-European immigrants seeking residence permits. In France. Jean-Marie Le Pen, the leader of the extremist right-wing National Front, has made the isolation of people with AIDS into asylums a major campaign that could frustrate the French government's own constructive program.

The Venice meeting provides a rare opportunity for the seven powers to set an example of committing adequate resources to an urgent issue, and [to show] political probity. - The Los Angeles Times.

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OPINION



The Gulf: Why America Has No Choice but to Stay

WASHINGTON — When President Reagan W addressed the American Newspaper Pub-lishers Association on Ellis Island last month, he said he was invoking Lenin by saying, "The road to America leads through Mexico.

It was not Lenin the president had paraphrased but his associate Leon Trotsky, who in 1919 said, The road to Paris and London lies via the towns of Afghanistan, the Punjab and Bengal." Trotsky proposed the establishment of a Revolutionary Academy in Turkestan and the raising of a great force of cavalry to invade India.

The point is that the Soviet Union, geographically, is overwhelmingly Asian and, having long since reached the Pacific, has for a century been pushing south toward the Indian Ocean and the Arabian Sea. From this perspective, the signifi-cance of the secret sale of arms to Iran begins to sink in. This faithless, doomed conspiracy has reached far beyond mere disgrace. It has threatened the balance of world power.

In short, Soviet warships, at Arab invitation, are now on station in the Gulf. If they stay, the West risks losing control of two-thirds of the world's oil reserves. The great geopolitical prize of the 20th century is now in their grasp. Americans did that.

More precisely, the Kuwaitis did. They turned to the Russians for protection of tankers threatened by the Iraq-Iran hostilities. Kuwaiti officials journeyed to Moscow. A secret agreement was reached far more extensive than at first revealed - far more ominous than yet realized.

On May 29, in a hearing of the Senate Foreign Relations Committee, I asked Richard Murphy. By Daniel Patrick Moynihan

The writer, Democrat of New York, is a member of the Senate Foreign Relations Committee.

the assistant secretary of state for Near Eastern and South Asian affairs, what could have possessed the Kuwaitis — the natural prey of the Soviet Union — to seek its protection. He answered: "Well, the moment of that decision was not coincidental. It was November 1986."

I asked, "It was not coincidental that the Kuwaitis asked the Soviets in as it came to be known throughout the world that we had been shipping arms to Iran?" He replied: "It's got to have been a Whereupon Congress may have received the first truthful response from an administration official since the conspiracy was blown. And a true measure of the calamity. Sunni Arabs, having learned that the United States was arming Shitte Persians, decided to reward this duplicity in kind.

It was hard enough getting the Russians out of Iran after World War II, and since 1949 the United States has had naval forces stationed in the Gulf to keep them out. That period is now past. Further, to recall Troisky, the Russians have seized most of the villages and all the cities of Afghanistan. (The city of Herat, within fighter-bomber range of the Gulf, figures prominently in the correspondence of Queen Victoria, when the Russians were

probing Baluchistan a century ago.)
With the Punjab in some disarray and West Bengal under a Communist government, the Russians have now taken up station in the Gulf

athwart the shipping lanes on which the economies of Japan and Western Europe depend utterly.___ Soviet protection has its price, however. The Kuwaitis, who head the Islamic Conference Organization, have begun to pressure Pakistan to ease its insistence that Moscow withdraw its armored cavalry and other forces from the Khyber Pass and

Of the Press, ;
Politics and

Private Lives

By Jim Hoagland

PARIS — Two photographs pub-

altered the perception here of the Gary

Hart case. The tawdriness and stupid-

ity of the caper that felled Mr. Hart are

finally conveyed in the images of him balancing Doung Rice on his knee and

mugging for the camera aboard the good ship Monkey Business.

Until now, European politicians

journalists and others have tended to

see Mr. Hart as the victim of an

overly powerful and inquisitive press.

They have professed shock not over

his Saturday night and Sunday morn-

ing with Ms. Rice, but over America's

apparent moral hypocrisy in singling

out one politician for punishment for

"If we used the same standards, we

would not have been able to have

three of our past four presidents, who

were good presidents," an indignant

Frenchman said shortly after Mr.

Hart withdrew. Endorsing the cur-

tain of discretion that European

newspapers draw around the sex lives

of the politically prominent, he add-

ed: "And we all know that at least

two West German chancellors would

have flunked such a morality code.

Can we be blamed for wondering if

"It is just not the same culture,"
François Léotard. Franço's minister of

culture, told a questioner. If French

media emulated The Miami Herald's

approach to political reporting "no French politician could withstand it."

from this description of European reactions, since Fleet Street has long

since made kissing and telling a lu

crative public pastime. The ability of my fellow University of South Caro-

catching up with our British cousin

in such prurient behavior, exercised

in our case through Playboy, Pent-house or Miami Vice rather than

What are the cultural differences

that divide Europe and the United

States on the interplay of public mo-rality, sex and the independence of

the press when it comes to examining

It is partly a matter of European

cynicism, asserts Christine Ockrent,

France's most prominent television

journalist. "Nobody here believes that

lying is a sin, or that it is even a mistake. And besides, the French

think they are great lovers, so anything

to do with sex is a plus," and not

It is also a matter of politics. Eu-

rope's newspapers, magazines and ra-dio and television networks remain to

a surprising extent supported by subsi-

dies from political parties or by gov-

ernments through tax breaks or direct

funding. They are party to the tacit

understandings among the political leaders themselves that private lives

Themselves part of "the political

But the Monkey Business Photo

Archives have shifted the focus of

reaction here, swinging it away from

an automatic assumption that the U.S. media conducted a politically inspired lynching for the benefit of a

puritanical American public, and

onto Mr. Hart's poor judgment. Pos-

ing for sappy photos at a time when

he was insisting that he was so happily married sharply diminishes Mr. Hart's standing as victim in worldly

something to be exposed as scandal.

the private lives of politicians?

through the tabloids in London.)

(It is necessary to except Britain

America is a serious country?"

a human, forgivable foible.

lished in Europe last week have

parts west. Is yet another U.S. policy at risk? is the whole region at risk? Well, we Americans asked for it. No, wait. The American people did not. A handful of conspira-tors did. It is still possible to make this point, even to nations in which conspiracy is not all that uncommon. All the more reason that Congress should be seen to support the policy of every American president back to Harry S. Truman There is no choice. The Gulf is vital to American interests. It is not vital to Soviet interests. Ameri-

lina Phi Beta Kappa, Ms. Rice, to cash in on her sudden notoriety sug-gests that we Americans are simply cans cannot accept their intrusion.

The more also the United States should use this moment of danger not merely to assess damage but to ask questions of character.

In that most beautiful of his poems. "By Blue Ontario's Shore," Walt Whitman saw clearly the cycles of history. "Any period one nation must lead. One land must be the promise and reliance of the future." This came to us. The American people have no reason to let it slip away into the hands of a despicable totalitarianism through simple unwillingness to face up to their own behavior.

"Who are you," Whitman continued, "that wanted only to be told what you knew before?" Who indeed? We shall be finding out. The New York Times.

To Revive U.S. Industry Means Restoring Lost Faith

A Japan and the United States. which now amounts to \$60 billion, is clearly unacceptable. Both countries that our judgment was a correct one must share the blame. Yet neither has in the long run. We invested, trans-

really been honest with itself. Japan's efforts to address the problem have been "too little, too late." The Japanese approach has been to address each specific American complaint as it comes up rather than to look at the issues in a larger context rather than a Japanese TV because and then work to solve the underlying. problem. The Americans, meanwhile. found out later that the American set tend to blame everyone but themselves for the fact that their currency has declined in value and their indus-

try has lost its competitive edge. ing of themselves as a poor, dependent that had no faith in itself at all. nation, even though Japan is the world's largest creditor nation and a has lost faith in itself, and that the

world leader in many technical areas. Americans used to be able to buy whatever they wanted with dollars. They never had to earn another country's currency to pay for imports. Now the huge federal deficit is being financed by funds from abroad in forms of capital flow and loans, giving Americans the false impression they can keep living as they always have.

Japan's experience has been different. Having always had to buy most of its raw materials and much of its food from abroad. Japan had to export to earn dollars because no trading partner would accept the yen. We had to export or die.

Now some people in the United States - people with an eye to political office - are saving that the trade imbalance is Japan's fault and are proposing retaliatory measures. The fact that America also maintains quotas on steel, textiles and machine tools is seldom mentioned. In any event, retaliatory measures are not the solution to our problems. Sanctimony and self-righteousness rarely result in sound policy.

My company's business is to sup-

ply electronic products to the world market. Our policy is to make products where the market is. In 1970, we decided to build a factory to produce television sets in San Diego. At the time, it took 360 yen to buy a dollar. so operating costs in the United States were much higher than in Ja-

LETTER

Parachutes Over Sri Lanka

Your report (June 5) of India's air drop of relief supplies over Sri Lanka unmasks the Indians for the bullies they are. The Indians can swagger and take on tiny Goa or Sri Lanka, but they won't take on China - or even Uganda, when Indians were terrotized and expelled by Idi Amin.

l admire Sri Lanka, its people and its democratic structure, and I think it is disgusting that a big power will not help it protect its sovereignty. The world should tell India to settle commun, fam in its own territory.

India has allowed Tamil Nadu state to be a base for the export of death and destruction to innocent Sri Lankans, both Sinhalese and Tamil, India makes a mockery of the UN Charter. which it invokes so readily.

ARJUNA SUBROTO.

By Akio Morita pan. Nevertheless, we were confident automobiles to be sold in the U.S.

ferred our technology and trained our people. Now our plant in San Diego is exporting TV sets to Japan. Some people think this is curious. An American friend recently said to me. "Akio, I bought an American TV we have a terrible trade deficit. I

was made in Taiwan, and the Sony set that I decided I wouldn't buy was made in the United States." As I had to tell my American The United States is locked into a friend, what we were seeing was the nation" self-image, and this is out difference between a company with of date. The Japanese persist in think- faith to invest in itself and a company

> I am afraid that American industry trade imbalance would not be corrected until that faith is regained. The Japanese automobile industry, in particular, is investing heavily in new plants in the United States, creating thousands of new jobs. The American automobile industry, on the other hand, is investing in the Japanese automobile industry not to obtain a foothold in the Japanese market but buy engines and even complete

market under their own brand name. I helped General Motors acquire one-third interest of Isuzu because I thought this would help sell GM cars in Japan, But instead they started to import components and completed cars from Isuzu. Lee Iacocca, the head of Chrysler, criticized the trade imbalance while importing aggressively from Japan. It is ironic that those engines and automobiles are then counted as Japanese exports to the United States, tipping the trade balance further in Japan's favor.

I now see encouraging signs that Americans realize that the trade improtectionist walls that will serve only to restrict trade and threaten worldwide recession. Neither will the trade problem he solved by the manipulation of the yen-dollar exchange rate, because if American industry does not generate products to sell, price does not matter. The only solution is for American industry to regain its competitive edge.

Unfortunately, America's brightest managerial talent is engaged in takeover moves and empire-building. The best students do not study engineering but become MBAs or lawyers at the University of Montana.

and, eventually, professional mon-ey makers. This is not productive. The big attraction in American business today is the money game, in which profits are made not by manufacturing and selling goods but by guessing whether the dollar will rise

or fall against, say, the West German

mark in the next 10 minutes. But the

swings in world currency values that the money game causes make it im-possible for a responsible industry

Themselves part of "the political to devise rational investment plans. class" in a way their American coun-America must return to fundamen- terparts have not traditionally been, tals, to making things of real value. A journalists follow the convention from business organization's real asset is necessity and as a matter of personal its people — but how can you expect taste. They sense that if they were to your people to be motivated to work ask a politician about his record on when they are traded like merchan-adultery, their own private lives and

strong as its manufacturing base, and become fair game for public inquiry this base is chipped away by every and disclosure. They have found it mindless merger and by every deci- difficult to understand how Mr. Hart sion to shift production to a develop- could appear to be so helpless in a ing country only to save on labor. direct confrontation with journalists. The world's economy depends on the dollar; the strength of the dollar, in turn, depends on the vitality of American industry. The United States must get back to business.

The writer is chairman of Sony Corp. This article was adapted by The New York Times from a recent address

20 Years After, Uneasiness in Israel

1967 seemed so right, so natural. The country had been saved, Jerusalem reunited. Surely an Arab would pick up the phone, in Moshe Dayan's phrase, and call Israel for peace. In any event. Israel's security looked permanently ensured by the technological superiority of its culture over the culture of the Arabs. In those days one still thought of them as "the Arabs" collectively, ethnically, dismissively,

The years 1967 to 1969 were painful ones in the United States. The promise of the civil rights revolution was turning to ashes in the ghettos. The last great crusade of U.S. foreign policy was coming to grief in the rice paddies of Indochina and in the streets of America. You did not have to be Jewish to view Israel not only as a military model but as a political society that had found its way.

In time, of course, reality erased this sweet and false picture, and produced a new American-Israeli condition. The quality of state relations. the fervor of official rhetoric, the level of aid have never been higher. But underneath is a layer of unease, a sense of difficulty brewing. From the detachment shown in

1967 and the "evenhandedness" suggested afterward, the United States is now firmly and all but formally on Israel's side of the Arab-Israeli - better, the Palestinian-Israeli dispute. But in the process Israel has become deeply dependent on Ameri-can money, arms, intelligence, technology and good will.

With Israel's becoming a state living on American remittances comes a potential for distortion. U.S. aid goes not only to defend a friendly embattled democracy but to support the still relatively high Israeli standard of living. The numbers are too large,

WASHINGTON — Everything after Israel's victory in June By Stephen S. Rosenfeld

and Israel's edge over other aid recip-ients is too visible. America is gener-ous, and the Israel lobby is powerful, but there have been occasions when Washington held back aid to make a point, and the impulse could return. The assertion that America and Israel now share strategic purpose is

misleading. There is a consensus that U.S. ships should dock in Haifa in peacetime, but on the true strategic questions - projecting military power into the Gulf, confronting the Soviets gration of U.S.-Israeli cooperation in the Iran arms affair once it was revealed proves this. So does the absence of an Israeli factor in the intense American calculations over the Gulf.

The two governments came to an overblown vision of strategic partnership in the early 1980s, but this could yet shrink into something more modest and more appropriate. The question is whether this will happen as the result of prudent tailoring by the two countries or whether it will happen with a jolt damaging one or both

The USS Liberty episode of 1967, in which the United States evidently sent a ship to spy on Israel and Israel bombed the ship to keep its freedom of action from being circumscribed, remains an unhappy but precise expression of a basic continuing difference in strategic perspective.

Since 1967, the United States has come by stages to think that a Middle East peace is possible and necessary. Still, over the years Americans have displayed an uncommon deference rael the hard choices it eventually will lery and cavalry advancing simultahave to make if it is to do its part to neously into the mountainous region. was a sensation in "Hell's Angels."

for America and safe for Israel.

American understanding for the difficulties of making peace with adversar-ies such as Israel has. The record also avoid excruciating decisions on terri-torial and political compromise with compromise-minded Palestinians, The 20th anniversary of a war is not

The Washington Post.

achieve peace. The net result is that the United States does less than it might to promote a peace policy that many Americans believe to be sound

The 20-year record shows immense U.S. politics and public opinion to mal working of the other three."

This view of the media is largely a

bad moment for people in both countries to contemplate the advantages of acting for peace before there is a slacking in the extraordinary American deference that Israel still enjoys.

wise European eyes.

The growing move in Europe and in France in particular to encourage private ownership of television and

radio broadcasting networks is clearly causing concern among politicians about the future. For them, the outcome of the Hart case outweighs the fine points about who should have been shocked by what. For former Prime Minister Raymond Barre the question is nothing less than whether the Fourth Estate has not become so shows that Israel has used its favor in powerful that it is hindering the nor-

myth imported from America, th French writer Jean-François Revel responds, "but the politicians believe it. the public also, and the journalists in the media even more. The fundamental fact is that they are now all adapting their behavior to this mirage and thus turning it into a reality." The Washington Post.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Revolt in Cuba WASHINGTON - It was officially

announced at the War Department on June 7] that preparations have been completed for the immediate despatch of 5,000 troops to Cuba to put down the negro insurrection. The purpose of the expedition, it is stated. is purely military and to restore or-

not simply to imperatives of Israeli the military in the province of security but to the convenience of Israeli domestic politics: sparing Island and security of infantry, artiliary and convenience of the military in the province of kind — merely uncomprehending. Her work in "Dinner at Eight" and the impossibility of infantry, artiliary and convenience of the military in the province of kind — merely uncomprehending. Her work in "Dinner at Eight" and the military in the province of kind — merely uncomprehending. Her work in "Dinner at Eight" and the military in the province of kind — merely uncomprehending.

1937: Jean Harlow Dies

LOS ANGELES - Jean Harlow,

twenty-six, glamorous platinum blonde of the films, one of the world's favorite Hollywood stars, died [on June 7], in the Good Samaritan Hospital at Los Angeles, where she had been taken hours before unconscious. der, and there is no intention of obtaining political control of the island by annexation or otherwise.

NEW YORK — The gravity of the island in the screen the young woman who will be screen the young woman who will be screen the young woman. situation in Cuba is emphasized in a who will never grow up, whose capactelegram from Havana [on June 7], by ity for pleasure is so vast there is no the issue to the people by President room for thought. As brittle as glass Gomez directing them to arm in face on the screen and as easily seen of the national peril. Operations of through, she is neither evil nor un-

I the Re

Politica,

rivately.

Dollar Bears: **Muted Growls**

XPECTATIONS ARE RUNNING so low for this week's Venice summit that it is difficult to envision any outcome that would do much damage to world markets.

"We've seen about all we're going to see" in the way of policy initiatives, says David Resler, chief economist at Nomura Securities International Inc. in New York, in a typical comment about the meeting. Mr. Resler and other observers expect the leaders to reiterate earlier agreements to coordinate economic policy and stabilize foreign exchange markets.

In fact, the summit comes at a time when policy-makers seem to have blunted, at least temporarily, assaults on the dollar. Although Paul A. Vokcker's decision to step down as chairman of the Federal Reserve joited the market, it took only a session or two for the dollar to regain its poise. At least five factors are cited for the market's new sense of equa-

· Higher U.S. interest rates, a reflection of both some nudging by the Fed and investors' concern about inflation, have muted concerns that Japanese and other foreigners would desert the U.S. bond

The U.S. budget deficit is improving at a faster-than-expected rate. In the first six months of the fiscal year, the deficit was nearly \$40 billion smaller than the year-earlier level, largely because of a surge in tax payments on capital gains in late 1986 in advance of tax-law changes.

• The U.S. trade account is also showing improve ment. While the deficit is only marginally narrower in dollar terms, the physical volume of imports and exports indicates an improving trend.

 Japanese authorities have reined in speculation against the dollar. The Ministry of Finance told Japanese institutions to go easy on the U.S. currency and is said to be checking the foreign exchange positions of major players four times a day.

A Japanese fiscal stimulus program totaling some \$42 billion seemed likely to help spur growth there and take some pressure off the dollar.

· Central bank intervention has kept the market guessing. By some accounts, the Bank of Japan alone has purchased nearly \$100 billion since the beginning

EW ANALYSTS ARE WILLING to guess how long this period of relative dollar stability will last. But there remains a school of bearish sentiment, led by Martin Feldstein of Harvard's National Bureau of Economics, that says the steps so far represent little more than a temporary staving off of another inevitable sharp decline in the U.S. cur-

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> Howard Flight, joint managing director of Guinness Flight Global Asset Management in London, puts himself in that school. Given the current world trade imbalances and trends in capital flows, the dollar must fall substantially further, he argues, and the Group of Seven should move quickly on the fiscal

A credible response, he says, would include a U.S. commitment to lop \$120 billion off its budget deficit, additional steps by Japan and West Germany to prodeconomic growth, and a further decline in the dollar of 25 percent. "There's a very strong case for getting all those things done as quickly as possible," he says. "Why prolong the agony." "Why prolong the agony:"

Economic fundamentals already indicate that the dollar will have to fall by 30 percent to redress existing economic imbalances, says Mr. Flight. That implies an exchange rate of 100 yen to the dollar. In line with that view, a currency fund that Mr. Flight manages remains about half invested in yen instruments, with a big position in sterling.

William McBride

UPDATE

The New Market In Gold Coins



Australia has become the latest entry into the global gold coin rush. The Australian Nugget, available in four denominations from one to one-tenth of an ounce, was launched in April and became available in-ternationally beginning

in May. So far, 185,000 ounces have been sold, more than a third more than experts had anticipated. Dealers expect that collectors have a lot to do with the initial surge of interest. Not only is the Nugget a new coin, it also has what is referred to as a "frosted" finish not found in other gold coins. The coin is sand-blasted, giving it a polished shine.

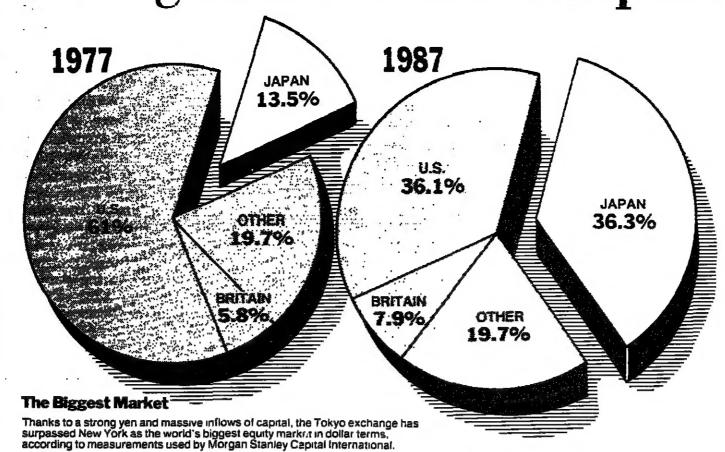
Despite strong sales, dealers question the Nugget's

Despite strong sales, dealers question the Nugget's investment appeal. Currently, a one-ounce coin is selling between 5 percent and 6 percent above the value of its gold content. This is roughly in line with the premiums on the Canadian Maple Leaf and the American Eagle, which remain the most popular investment coins. As one New York coin dealer put it: "Why buy the new kid on the block if the others are doing into ac wellow."

Still, the coin will likely remain more popular than are doing just as well?" the South African Krugerrand, whose premiums have dropped to between 3 percent and 5 percent because of the country's political uncertainties. It also may have more investment appeal than the Chieses Paralla which provides a hefty recomit of Chinese Panda, which carries a hefty premium of

about 16 percent for 1986 coms. China announced last year that it would begin producing 1987 Panda coins at a second mint in Shengyang. In previous years the coins were minted and in Shengyang. only in Shanghai. But dealers say initial hopes that this would significantly increase supply and help bring down premiums may not be realized.

Betting on the Dreams of Japan's Future



By Patrick L. Smith

N HIS OFFICE NOT FAR FROM THE Imperial Palace, David R.G. Patterson ticks off a few of the world's most expensive stocks. There is Nippon Telephone & Telegraph, currently trading at roughly 250 times pro-spective earnings per share, or Sumitomo Bank, with a price/earnings multiple of 162. And there is Nippon Steel, whose share price has

risen 130 percent so far this year. But like many of the high-performance stocks that have led the current rally on the Tokyo Stock Exchange, it has no price/earnings ratio. For the year to the end of March, Nippon reported a pre-tax loss of 12.6 billion yen.

"You aren't buying companies here, or in many cases even an earnings outlook," says Mr. Patter-son, who is president of Jardine Fleming Invest-

ment Advisers Ltd. "You're buying concepts. You're trading in the dreams of a future Japan. More than ever before, it seems, visions of what Japan may be like a decade or more down the road has a surprisingly immediate impact on the hectic trading floor of the Tokyo market and has created

a unique market culture. On the face of it, the traditional yardsticks like price and profit that have long been used to mea-sure a stock's worth seem strangely irrelevant. Instead, a constant flow of "themes" continues to

propel the Tokyo market to record heights. So far this year, they have ranged from AIDSrelated research to superconductivity and the redevelopment of Tokyo. In May, even shares in exporters, which investors dropped when the yen began to rise, were again popular. Prevailing market wisdom held that the blue-chip exporters were about to reap the benefits of relocating production

In one way or another, most of the so-called

"story" stocks that have dominated this market over the past several years have been rooted in the still-unrealized notion that profound social change, plus a substantial measure of government stimulation, will fundamentally alter the way the Japanese live and consume.

This is not to say that the rally is without substance. Japan has grown steadily wealthier in recent years thanks to strong trade surpluses. Sociologists also say they detect signs that the Japanese, among the world's most studious savers, want to enjoy more of the fruits of their industry. This could herald an unusual wave of consumerism.

Moreover, the government appears eager to accommodate an expansion of domestic industries. It has already embarked on a far-reaching plan to deregulate the financial services sector. Late last month, officials also unveiled a \$42 billion domes-

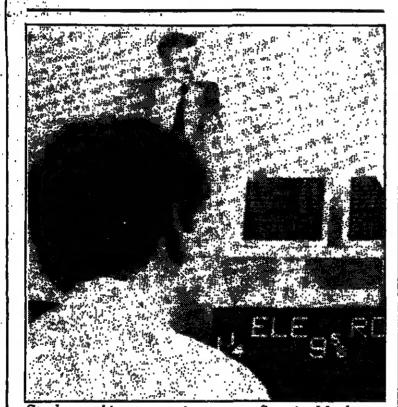
Continued on Page 8

Navigator.



Funds Explosion

Brochures for investment trusts have become popular reading material in a growing number of Japanese nouseholds as individual investors turn



Stock watching at an investment firm in Manhattan. Indexes try to summarize the markets' complexity.

On Measuring The Markets

Can't beat the index? Maybe it's the wrong one.

By Phil Roosevelt

New York N 1884, A TALL, RESERVED newsman named Charles Henry Dow devised a quick way to gauge movements in the stock market: Take 11 leading issues, add up the prices and divide by 11.

The approach, of course, endured, albeit with some modification. Now based on the prices of 30 blue chips, "the Dow," or Dow Jones industrial average, is the oldest and best-known index of U.S. stock prices. Indeed, in the volatile market of 1987, the Dow often seems like the only index. One day it zooms up 66 points, the next day it tumbles 51; observers become easily

Nevertheless, a host of other U.S. market indexes have cropped up over the years, and investors should be aware that other gauges may be better

transfixed.

the system on cold instead of not. wormed about, said Vic DePaula, posal will figure as a major bar-

suited to their needs. Many portfolio managers, for example, measure their performance against the Standard & Poor's 500-Stock Index, believing it best represents the kind of stocks they trade.

And market technicians routinely monitor several indexes in their daily search for trends, "When you try to measure the entire market with just one number, you do yourself a great disservice," says Philip Erlanger, tech-nical analyst at Advest Group of Hart-

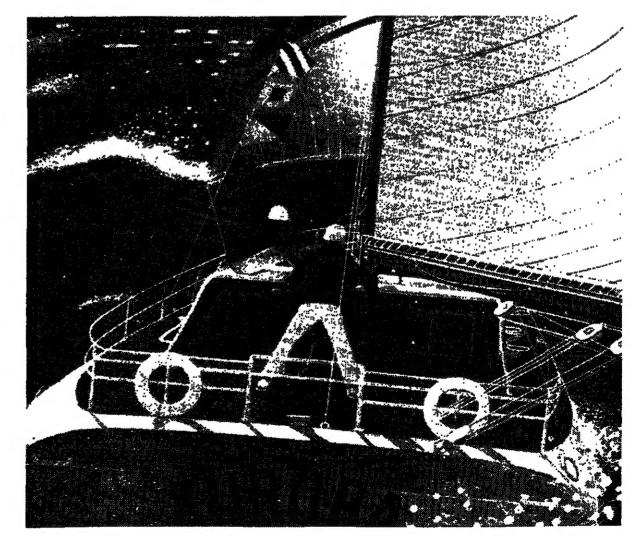
ford, Connecticut.
Some indexes, like the Dow and the S&P 500, aim to detect price activity in the broad market, while others concen-trate on smaller stocks or stocks within certain industry groupings. But even the broad-market indexes can present differing pictures. While they generally move up and down together, they often

vary in degree of movement.

In the 12 months through May, for instance, the Dow climbed 22.1 percent while the S&P 500 was up 17.3 percent. Meanwhile, the Value Line Index, which claims to represent "the typical stock." advanced a more 5.2 typical stock," advanced a mere 5.3 percent. Accounting for such variation, experts say, are differences both in stock samples and in calculation methods.

The Dow, which has been tough to beat throughout the bull market that began in 1982, is perhaps the easiest index to understand. Dow Jones & Continued on Page 9

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PROFILE

Tuning In To Japan's **Subtle Shifts**

By John Meehan

XPENSIVE, SPECULATIVE, unpredictable. These are terms foreign money managers have been using with greater frequency in recent months to describe Japanese stocks as they continue a dizzying price climb. But for Laura Luckyn-Malone, the notion that the success of the Tokyo Stock Exchange is merely a func-tion of a casino mentality could not be further from

"I'm not saying it doesn't exist. But you don't have to invest that way to succeed," argues the 34-year-old portfolio manager of the Japan Fund. Instead, she views the market as the best indicator available to understand the Japanese economy. "And the economy is changing." says Ms. Malone. "The challenge is to find out when and where the changes are taking

Indeed, in a prolonged rally that some investors believe has more than a fair share of madness. Ms. Malone sees a method. In the mid-1970s, she points out, manufacturing was seen as Japan's future: Nip-pon Steel was one of the market's best performers. After the oil shocks dulled the outlook, assembly-line industries and technology shares, such as Hitachi, took off. Now, in the midst of a lengthy trade dispute, the market has turned to the financial and domestic service sectors.

Such change is a permanent fixture, Japanese companies were hardly household names back in 1962. when the Japan Fund, which is managed by Asia Management Corp., a subsidiary of Scudder, Stevens & Clark Ltd., premiered on the New York Stock Exchange. It was the first single-country, closed-end fund to invest in the Tokyo stock market, which was just beginning to respond as Japan began to flex its economic muscle

The economy has matured much since then and so has the fund. Last month shareholders voted to convert the fund into a conventional mutual fund after it was trading at around \$18 a share on the market, a 10 percent discount to its asset value.

With close to \$700 million under management, the portfolio's net asset value rose 77 percent last year. The Nikkei index of Japanese stocks gained almost 81 percent in dollar terms during the same period. This year has been trickier, however. Although the market rose 25 percent in dollar terms in the first quarter, the fund was up only 8 percent.

Ms. Malone, a Cambridge graduate who left her



Laura Luckyn-Malone: "Ignore the government at your peril."

native Britain a decade ago and has managed the Japan Fund for the past two-and-a-half years, attri-February to add Nippon Telephone & Telegraph, which is not available to foreign investors, to the index. Moreover, the unexpectedly fast appreciation of the yen, she notes, left many fund managers

overweighted in export sectors.

As for the future, Ms. Malone is confident that the rally in Tokyo will continue. If approved, the recent fiscal package announced by the Nakasone government could add as much as 2 percentage points to Japan's economic growth, she believes.

But the numbers are not the only clue to the market's future, she says.

Right now, she is watching with interest the emergence of a young professional class in Japan, who, like their "yuppie" counterparts in other countries, are making an art out of consumption. This marks a significant departure from traditional Japanese cul-

ture, which frowns on material consumption. Demographics are also important, Ms. Malone says. Japan is an aging society, and the government has taken steps to enhance the funding for research and development in the pharmaceutical industry. Although rumors of an imminent cure for cancer or AIDS perdiodically throw the market into a frenzy and ultimate disappointment, she says, this official commitment will continue to benefit pharmaceutical stocks in general and biotechnology stocks in partic-

Not surprisingly, Ms. Malone says she spends a lot of time with bureaucrats on her trips to Japan. "You ignore the government at your peril," she says. "It's not that they have a plan, but they have a vision."

As for fundamentals, Ms. Malone does not ignore

the conventional yardsticks, such as earnings, cash flow and quality of management. But when it comes to price/earning multiples, Ms. Malone thinks value in Japan is very relative.

"If a Japanese broker calls me and tells me about a company selling at 16 times earnings, the first thing I ask is what's wrong with it," she says. "There are a lot of reasons why the market ignores these stocks." Ms. Malone's current portfolio clearly reflects her

belief in a new consumer-oriented Japan. Her fund's largest single holding is in Tokyu Corp., ostensibly a railroad company. In fact, the

mpany amounts to a conglomerate with holdings in bus lines, hotels, a share in a domestic air carrier

and an extensive real estate portfolio. "It's a proxy for everything you want Japan to be

The housing sector is also represented. Ms. Malone especially likes Sekisui Chemical Co., which aside in the future. she says. from its chemical business is a leading maker of prefabricated houses and building materials. It also manufactures sewage pipes, a key product, Ms. Malone says, given the fact that many Japanese homes still have no flush toilets.

Daikvo Kanko. one of Japan's biggest condominium builders, is another favorite, she says. Moreover, the company has growing interests in the leisure industry, which includes developing an elaborate

resort on Australia's Gold Coast. In the retail sector, Ms. Malone is fond of Maruj Co., a Tokyo department store that was the first in Japan to offer credit. It has become a favorite for young professionals because of a popular fashion line it markets to men and women in their 20s.

it markets to men and women in their 20s.

Among financial stocks, the likes Nomura, Daiwa,
Sumitomo Bank and Sanwa Bank. The Industrial Bank of Japan is another favorite. Originally founded to promote industrial development in Japan, the bank came to realize in recent years that it had outlived its usefulness and decided to turn to investment banking. Ms. Malone acknowledges that investors would have had reason to be skeptical of the chances for success.

Nothing that the bank wanted to do would have held up if you just scrutinized the numbers." she says. But she was swayed by the government's continued deregulation of Japanese financial markets and the deregulation of Japanese Infancial Induses and the fact that IBJ clearly has government support. Since then, the bank's fee-generated income has climbed. Last year, it acquired J. Henry Schroder's Bank in New York, which in turn bought Aubrey G. Lanston, a primary dealer in U.S. government securities. IBPs interim profits were up 50 percent, she notes.

ESPITE THE TRADE FRICTION and uncertainty surrounding the dollar, Ms. Malonellis reluction to shoudon the his exporters that is reluctant to abandon the big exporters that built the market's reputation. While conceding that these stocks "haven't done anything for two-and-ahalf years," she contends the manufacturers have undergone rigorous internal restructuring, often moving facilities outside Japan.

As a result, she says, some companies have geared their operation to make money even if the dollar drops to between 120 and 140 yen. Here she likes the household names like TDK Corp., Sony Corp., Cannon and NEC.

Ms. Malone also likes some smaller stocks that have been ignored in the latest rally because of liquidity problems often associated with the market's second-tier issues. She likes Chiyoda Shoe Shop Co., a retail shoe outlet that had remarkable results after it opened a chain of toy stores that specializes in

"It's interim earnings were up 45 percent" she says.
"But the stock market ignored it."

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Betting on the Dreams Of Japan's Future

Continued from Page 7

tic spending package that many economists believe is a tacit acknowledgement that social, political and economic pressure for change can no longer be held back.

This best explains the market's continued commitment to a broad domestic theme that places special emphasis on the housing con-struction, chemical, retailing and real estate sectors.

Whether or not these expectations are realistic, the current crop of concepts has powered the Tokyo market to beights no one would have predicted even a few months ago. The Nikkei index of 225 stocks has risen about 30 percent since the start of the year and is up 85 percent from the beginning of 1986. Volume is running at nearly 1.5 billion shares daily,

age.
The view that this market simply could not go any higher, a concern often voiced by foreign investors, has once again been swept aside. The current leg of the Tokyo rally, which began last November, has driven average pri-ce/earnings multiples to 75 or so. five times the average in New York and more than triple what they are in London.

Even at that price, there has been no rush out of equities. But the level of anxiety has clearly risen. Everywhere, it seems, there is a sense that the future is a matter of progress through uncharted waters." as Nomura Securities Co. titled a recent research paper.

The immediate fundamentals are hardly encouraging. Japan's economy is officially forecast to grow by 3.5 percent this year, the consensus in the market is that growth will be limited to 2.5 per-

cent. As for corporate profits, Philips & Drew in London be-lieves earnings will rise 1.2 percent this year, less than half the 5.5 percent a year expansion that companies averaged between 1981 and 1985.

With the Nikkei hovering at 24,000, investors are watching for signs that the index's retreat last year, by 16 percent from mid-August through October, will be re-

Confounding the outlook is the chronic problem of excessive liquidity. The "weight of money" theory has often been used to explain the market's dramatic rise. Even in the mid-1970s, when the Nikkei was below 4,000, Tokyo was a place where too much money was chasing too few shares, just as in the case of far less mature markets in Asia, such as Seoul and

FOW, THE LIQUIDITY argument is central to To-kyo's prospects. For most analysts, it has become the paramount consideration that will likely guide the exchange over the next few months.

Tokyo's capitalization has nearly tripled since the beginning of 986, to \$2.66 trillion, according to Morgan Stanley Capital International. Although this makes it the world's largest equity market, roughly two-thirds of its stock remains untraded as part of the complex web of cross-holdings at the center of Japan's corporate and financial structure.

But it is the demand side of the equation that has forced up prices most dramatically. While local individuals have long been net sellers, their growing sophistication and their concerns about the market's dangers are swelling the as-sets controlled by investment trusts, as unit trusts are called argument, in effect, is proving an irresistible draw, even for some normally skittish Gaijin fund man-

These are now valued at about 35 trillion yen; some fund managers expect investment trust assets to reach 50 trillion yen by the end of this year.

As the Japanese work force matures, life insurance companies and pension fund plans are following the same growth pattern. Their combined assets have grown by two-thirds over the past four years, to 81 trillion yen; this year, according to Nomura, they will increase an additional 22 percent.

Exchange-rate risks and record low interest rates at home have funneled an increasing percentage of these funds into Japanese equities. These factors, combined with the grim outlook for exports and a sluggish domestic economy, have also given rise to a relatively recent phenomenon: the so-called Tokkin funds, independently managed vehicles through which manufac-

turers invest in financial assets. The Tokkins scarcely existed five years ago, when exports were still king. Last year, they grew by 130 percent to 20.5 trillion yen; this year, the Tokkins are forecast to reach 37 trillion ven.

All this has made the market highly vulnerable to suggestions that interest rates may rise, that the yen may stabilize or drop in value, or that the economy may pick up. Reflecting the spread of concern about these factors, investment trusts were net sellers in April for the first time in almost a year, and foreign investors staged the second-largest seil-off they

have ever recorded. Both groups, however, were buying again in May. The liquidity

agers. Like their Japanese counterparts, many foreign analysts predict a Nikkei average of 26,000 to 27,000 by the end of the year,

despite the obvious liabilities. We argue that such is the weight of money behind the Japanese market that its present level is nol too high," insists Mr. Patter-son of Jardine Fleming. "There is something that represents value underneath all of this."

That, in fact, has become increasingly difficult to identify. Investors in Japanese stocks still have to cope with the kind of practices more common in less developed markets. These include a partial disregard for fundamental criteria and extensive insider lead-

The "ramping" of stocks by major brokers is also common. A good example has been Nippon Steel. Despite poor fundamentals, local brokers continued to paint a bright picture for the company because of industrial restructuring. It started the year at 168 yen and peaked at 403 yen on May 11 in heavy trading. There is no reason at all to buy this stock," says one British analyst.

Not surprisingly, investors are having a tough time assembling portfolios. Even U.S. and European fund managers who used to be a small but significant force, outperforming both the index and their local competitors, have had trouble adapting to a market of rotating themes.

"It's been difficult for the winners in 1983 to come to terms with what has turned out to be a secular change." says James J.D. Hegarty, planning manager for Yamaichi

International Capital Co. and a long-time resident of Japan. "Suddenly, the best performers were stocks that hadn't moved for years."

The classic example has been the financial sector, an area that was even overlooked by many Japanese managers. Until 1984, when bank stocks were first allowed to issue shares at market value, rather than at par or a little above, bank stocks were virtually ig

Now the sector, which includes insurance companies and securities houses, accounts for almost a third of the market's capitalization. Since they have doubled in value over the past year, their place in a portfolio has been crucial to its performance.

The ideal stock, says Timothy Schilt, vice-president of Morgan Stanley International Ltd., is one with a strong story, positive earnings momentum and a reasonable share price.

"If you get in early enough and a market develops, you've got a good investment on your hands," Mr. Schilt says.

MING IS IMPORTANT, however. And the market is notorious for its fickle nature. In recent weeks, investors have developed a growing fascina-tion with the smaller capitalized stocks that make up the ex-

change's second tier.
This marks a dramatic departure from the market's preoccupation with big, liquid stocks in Tokyo's first section. Second-tier issues, many with price/earnings of between 20 and 30, have generally been ignored because of their relatively small float. In fact, fewer than half of Japan's brokers even track second section stocks.

Now along with export stocks, which bottomed out in mid-April, second-tier issues are the leaders. A good example is Joshin Denki, a consumer electronics retailer, whose share price went up 20 percent in the second half of May. By contrast, the high-volume stocks that previously could not be avoided have declined. Financials. for instance, have lost 10 percent to 20 percent in value in the same

"We've had a 100 percent change in leadership in the past month." Mr. Schilt says. "You're seeing a new theme begin to take shape."



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The Diamond Market Regains Its Confidence

The key factors: Inflation anxiety, tighter supplies and better demand.

By Cynthia Catterson

New York HEN DE BEERS CONSOLIDATED Mines Ltd. increased its diamond prices 14.5 percent last year, dealers worldwide felt a keen sease of relief. The move by De Beers, which controls roughly 80 percent of world sales of rough diamonds, signaled its confidence that the market was finally on the road

So far, prices have improved steadily. The recent outbreaks of inflation anxiety, set off by rises in commodities prices, were just the sort of psychological push the market needed. Helping is a tighter supply of diamonds and stronger demand, especially from Japanese and Europeans, whose strengthened currencies give them more clout in the dollar-based diamond market. Some industry observers attribute the increased demand to buoyant stock markets that have lined the pockets of quality-conscious customers between the ages of 35 and 45.

But the enthusiasm is still tempered by painful memories of what the industry darkly refers to as the "The Crash of '80." In the second half of that year, expectations that inflation would drop and interest rates would rise initiated a sharp decline in diamond prices, leaving many dealers with huge stockpiles for the next several years.

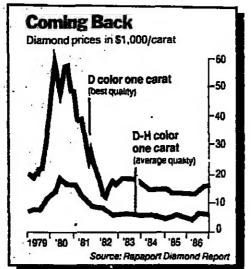
Prices for the investment-grade "D-flawless" stone, considered a benchmark, plunumeted from an average \$55,000 a carat in 1980 to as low as \$10,000 a carat in 1982. The current asking price is about \$16,000 a carat. Until last year's increase, De Beers had held off from raising prices and had tailored supplies of certain sizes of stones until some of the esses could be absorbed.

The strategy appears to be paying off. According to Andrew Lamont, spokesman for the Central Selling Organization (CSO), the marketing cartel for the diamond industry, total worldwide sales of rough diamonds rose by 40 percent in 1986 to \$2.56 billion, about twice the \$1.26 billion in sales for 1982. That made 1936 the best sales year since 1980, when volume totaled \$2.72 billion.

Mike Gordon, a mining analyst at James Capel & Co. in London, estimates that sales of uncut diamonds will grow beyond \$3 billion in 1987. Retail diamond jewelry sales, the market segment which was the least affected by the recession, has increased steadily from 40 million pieces worth an estimated \$18.6 billion in 1980, to 49 million pieces in 1986

4.3

valued at \$24.6 billion. One sign of the bouyant demand is higher auction prices. "After 1980, the public became shy of dia-monds," says François Coriel, executive vice president of jewelry at Christie's in New York. "Now the public has regained its confidence to buy."



Mr. Curiel says that price per carat paid for some diamonds at Christie's April anction has increased by as much as 25 percent in the last six months, not including the 0.95 carat circular-cut rare red diamond, which fetched a record per-carat price of \$926,000 when it sold for \$880,000, nearly 8 times its pre-auction estimated value.

Few diamond buyers regard their purchases as investments in the pure sense. For jewelry buyers, there is the aesthetic appeal of the pieces coupled with the sense that the stones represent a hedge against inflation. Speculative investors probably make up less than one percent of all diamond buyers.

"In an inflationary environment, diamonds can be a secure way of holding your assets," says Joseph Schlussel, president of the Diamond Registry in New York. "Plus, they are a lot easier to carry around than

Yet, in many ways, the diamond market is far

trickier and riskier than the markets in precious metals, says Martin Rapaport, dealer and editor of the Rapaport Diamond Report. Every diamond is different, so the value is subjective, he notes.

"You know what you're getting with gold," he says. "But unless a diamond comes with an appraiser's certificate, investors are buying a story and boping that the diamond's value matches the story."

Precious metals investors also can speculate in gold shares, futures and options, all of which have liquid markets. "There are a range of vehicles available to make it easy for a gold investor to buy and sell," Mr. Rapaport says. "But there is no Comex for diamonds," he noted, citing the principal market for gold futures and options.

Diamond purchasers typically pay a retail price and take possession of the stones. When the times comes to sell, it will be at the prevailing wholesale price, Mr. Rapaport says.

Despite the heavily promoted cachet of diamonds as signs of achievement and expressions of affection. few buyers are indifferent to the outlook for the market. Says Mr. Curiel at Christie's: "As much as I hate to admit it, I've never seen someone buy a diamond without considering whether it's a good

On an elementary level, the value of a diamond is determined primarily by its color, clarity, cut and carat. Color is graded on a scale from "D" through "M." Clarity is rated designated by IF (internally flawless), VVS1 and VVS2 (very, very slightly included) through 13, which denotes more substantial im-

The rule of thumb has been to acquire the best quality that the buyer can afford. But experienced buyers say it is important to look across the spectrum of the market for the best trade-off between price and quality. In some cases, it may be better to buy lesser quality stones that seem undervalued in relation to those of higher quality.

Although the D-flawless is most often cited as the

barometer of the market because its rarity ranks it as investment grade, it represents only a specific category of very rare stones, according to Lloyd Jaffe, chairman of the American Diamond Industry Association. Using its price as a gauge for the whole market would be misleading, he says.

In fact, as prices for the larger and more expensive stones started to decline in the early 1980s, demand for other lower quality, jewelry grade stones appreci-ated by as much as 20 percent, Mr. Rapaport notes.

Many people who bought D-flawless stones back in 1980 are still crying because they can't get their money back, while those who bought H-color have seen their stones appreciate," Mr. Curiel says. "Any stone that is well-priced for its quality will probably bring a good return on your investment." He advises buyers to stay away from highly imperfect stones and extremely elaborate cuts.

ODAY'S BUYERS ARE GOING FOR large diamonds. Stones of three carats and more, and stones of unusual natural colors like brown, yellow and pink are much sought after. "Demand for these stones is zooming and their prices have hit the roof," says Mr. Rapaport, who suggests that the attention to larger stones may leave bargain opportunities for single carat pieces.

The high prices for large diamonds have more to do with their rarity than their sheer weight. According to Mr. Lamont at the CSO, of the millions of tons of ore sifted each year, only about 40 single carat D-flawless stones are unearthed. The odds against finding larger stones are even greater. That is why a 23carat diamond is worth so much more than the sum of 23 one-carat stones.

The rarity factor means that prices of large stones move far more dramatically than those of small stones. A pear-shaped D-flawless diamond of 23.44 carats sold for \$47,000 per carat, a total of \$1.1 million, at the Christie's auction in April. Mr. Curiel

estimated that six months earlier the same stone would have sold for only \$42,000 a carat, or about

Side-Stepping Fraudsters With a Little Savvy

HE COMPLEXITY OF THE dismond trade has made it one of the most active areas of investment fraud, "Individuals have to do their own legwork to find out prices of diamonds and their value and the reputation of the person who is selling it to them," warns Robert Friedman, a staff attorney with the Federal

trade Commission in Washington. "It's the only way to avoid getting taken for a ride."

Most important, say industry professionals, is to deal with reputable firms and dealers. Investors should be wary of brokers and investment manage ment companies that solicit wholesale deals over the telephone, particularly if they urge the investor to act

"If the caller claims the deal is so urgent that there is no time for an investor to get a second opinion, it is a red light to keep away," advises Mr. Friedman. "If the deal sounds too good to be true, it probably is." Price misrepresentation is a common ruse, says Mr. Friedman, who was one of the attorneys who

successfully prosecuted the International Diamond Corp. in 1982. In that case, federal prosecutors estimated that the company's 40,000 mail-order customers lost a total of \$50 million because of inflated prices on diamonds they purchased and fraudulent claims about the potential returns. A little shopping around and research into the health of the market can go a long way toward spotting over-priced stones.

Before investors buy a stone, they should get an idea of the resale value and the liquidity of their local market, says Martin Rapaport, editor of the Rapa-port Diamond Report, which tracks prices. They should pretend that they want to sell the stone they want to buy," he suggests. "They should call other dealers to see what price the stone could ger." Henry Braun at Anglo-Belge N.V., an insurance

broker to the diamond trade in Antwerp, says misrepresentation of the quality of the stone is a common ploy. Sellers lead the buyer to believe the stone

is of a much better grade than it actually is. Individuals can minimize this risk by requesting a from an accredited appraiser, such as the Gemologi-cal Institute of America. "Without the certificate, you are trusting the word of the jeweler," says Mr.

But certificates are not an absolute guarantee, cautions Mr. Friedman: "People have to realize that the appraisal process is a subjective art, not an objective science

Industry specialists recommend that investors and jewelry collectors take out insurance on the stones, and some even suggest having the certificate identifi-cation number or a personal code inscribed on the diamond by laser. The patented micro-inscription process is available on diamonds from Lazare Kaplan International, a cutter and wholesaler. The Gemological Institute also offers the service through an agreement with Lazare Kaplan.

The inscription is invisible to the naked eye and

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On Measuring the Markets

Continued from Page 7 Co., publisher of The Wall Street Journal and co-founded by Charles Dow, maintains a roster of 30 big stocks judged to be representative of the market and U.S.

Occasionally altered, the list currently contains such household names as IBM, General Motors and Exxon. While Charles Dow 1896, the roster now includes some service companies, such as American Express. To arrive at the average, add up

the prices of each issue and divide - but not by 3.. While 30 would produce an arithmetic ave...ge, like Dow's original formula, the divisor has been periodically changed, usually to keep stock splits and company substitutions

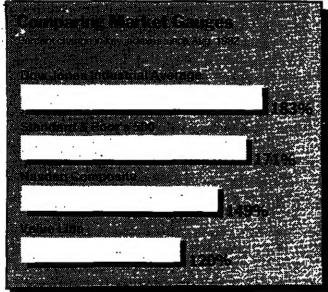
from disrupting the average. The divisor was recently set at 0.824. Market professionals, noting the Dow's stocks are widely traded, often use the index to gauge short-term market sentiment. The Dow also can provide historical perspective, for its 30-stock format dates back to 1928, well before the leading alternatives took their current forms.

Still, the Dow has long been dogged by complaints that its stock sample is too small to reflect the entire market accurately, and that the calculation formula can produce distortions. Specifically, critics say, movements in just one stock, particularly higher-priced issues, can unduly affect the aver-

age.
"It's a lousy index by any normal measure of what an index should be," asserts Christopher Nowakowski, president of Inter-Sec Research Corp. of Stamford, Connecticut, an international pension consultant

For greater long-term accuracy, many experts recommend the Standard & Poor's 500. A compouent of the U.S. Commerce Department's index of leading eco-nomic indicators, it is based on 400 industrials, 40 utilities, 40 financial institutions and 20 transportation companies.

Maintained by Standard & Poor's Corp., the index has all the er major issues. It includes repre-



sentation of some industries not in the Dow, such as toys, and a handful of stocks traded in the overthe-counter market and on the American Stock Exchange. The 30 Dow stocks are all traded on the New York Stock Exchange.

In another departure from the Dow, this index is "capitalization weighted." IBM, with the largest market capitalization, accounts for about 4.7 percent of the index, about 3 percent.

able," he says. But no single benchmark is perfect for everyone. "It's important that you select a benchmark that is relevant to your portfolio," says Kelly Houghton, a vice president at Frank Russell & Co., a Tacoma,

Washington, pension consultant. A key consideration, he says, is Dow stocks plus a number of oth- the size of stocks an investor

500 chiefly reflect large capitaliza tion issues, he says, while smaller issues often move differently. Last year, for example, his firm's Russell 1000, an index of the 1,000 largest U.S. stocks, posted total

Russell 2000, based on the next 2,000 largest issues, was up just 5.7 percent. The smallest market capitalization of a Russell 1000 issue is \$370 million. while the 100 smallest issues in the italization stocks, it would be a S&P 500 together account for serious mistake to use the Dow" as

Among institutional investors, the S&P 500 is by far the most common performance benchmark. And John Markese, re-search director for the American Association of Individual Investors, says this is the index he most often recommends for individuals with diversified portfolios of large and medium-sized stocks. "It's broad-based and widely avail-

holds. Both the Dow and the S&P

Of course, indexes can serve as more than portfolio benchmarks; they can offer insight into price trends. Investors might want to

returns of 17.8 percent, but the

"If you're focus is on small-cap-

The Value Line Composite In-

dex, based on the prices of about

1,700 stocks tracked by the Value Line Investment Survey, may fill the bill for investors with few blue

chips. "The Value Line is more

apropos for the little guy," says Martin Zweig, publisher of The Zweig Forecast. Although about 90 percent of

the stocks in this index are traded

on the Big Board, experts say the calculation formula gives more weight to "secondary," or non-

blue chip issues, than do the S&P

or the Dow. In contrast to both of

those indexes, the Value Line gives

equal weight to the percentage

changes in prices of its stocks, re-

gardless of each stock's absolute

"If the investor has a portfolio of secondary stocks, this could

come closer to his needs," says Stanley Eisenstadt, chief statisti-

cian at Value Line Inc. He adds.

however, that the index "is not

designed as a portfolio measure"

but rather as a gauge of price

For investors who focus on the

over-the-counter market, the Nas-

price or market capitalization.

a benchmark, he says.

periodically compare the differences among broad index performances. Other broad indexes include the New York Stock Exchange Composite Index of the traded on the Big Board, the Russell 3000, consisting of the stocks in the 1000 and the 2000, and the Wilshire 5000. This latter index, started in

technology issues comprise about

40 percent of the portfolio.

1974, purports to track virtually every stock in the United States, now about 6,000, using a capitalization weighting. Dennis Tito, president of Wilshire Associates of Santa Monica, California, says the firm launched the index after noticing that in one period money managers as a group seemed to outperform the S&P 500 while in another period they tended to lag. "Who's to say whether the S&P or the NYSE Composite are the right samples?" he says.

The broader the index, though, the greater the risk it may mask important trends within the market. It is for this reason that many providers of broad indexes also present the performances of specific groupings of stocks. "Instead of trying to figure out what the market's doing, look for the industries that are outperforming the market," counsels Mr. Erlanger of

All of which brings up that time-honored question: Is there really a stock market or just a market of stocks?

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IN THE IHT EVERY TUESDAY.

daq Composite Index is probably the best bet, says Mr. Markese of the American Association of Individual Investors. But T. Rowe Price Associates' New Horizons Fund, which emphasizes emerging growth stocks, has been using the Nasdaq Industrials Index, a company spokesman says, noung that

Sound Investing,

restments available with very limited program.

The European Corporate Electronic Publishing Conference & Extravition on usual and a survival an

the system on coad matead of hot worned about, said Vic DePaula, posal will figure as a major bar-

STRATEGY:

By Jeff Ferry

YEAR AND A HALF AGO, Dr. Jean Shanks took her young medical-service company, JS Pathology, public, selling 15 percent of the equity on London's Unlisted Securities Market. The company offers a personalized blood-analysis service for private patients at a time when private medicine is booming in

With a total market capitalization of only £19 million, it was not long before the share price began to rise. From an initial offer price of 160 pence in November 1985, JS Pathology is trading these days in the range of 530 to 540

JS Pathology is one of those entrepreneurial success stories that files the imagination of investors. Of course, for every success in the small-company sector there are several casualties. Still, with London's rally in an advanced stage, interest in the young companies that populate the USM is running high.

Signs abound that the USM, which suffered some embarrassing moments after its creation in 1980, is shedding its unruly image. Turnover in shares is on the rise, as are new issues. Institutional investors have also become bigger players, so much so that private investors have complained of being squeezed out. Also important is the new attention that the market

is receiving from the big brokerages.

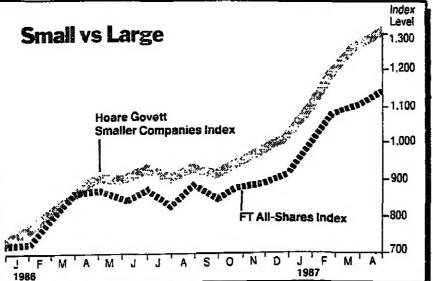
A study published last November by London stockbrokers James Capel & Co. argued that increases in earnings of the companies listed on the junior exchange have outpaced increases on the main stock exchange and have not yet been fully reflected in USM

The conclusion still stands, says Neil Blackley, smaller companies analyst at Capel:
"Now is a very good time to invest in smaller companies, provided the portfolio is diversi-

A good spread of different companies is needed because these smaller stocks are more volatile. For small stocks, a diversified portfolio would mean "at least twenty companies, in more than one sector." he says.

Further evidence of the rising interest in this sector came with the introduction by the brokerage Hoare Govert of a small-company index. About 12 percent of the more than 1,200 issues tracked in the extended version of the Hoare Govett Small Companies Index are USM stocks. In the first four months of this year, the Smaller Companies Index rose by 30.6 percent, compared with 23.9 percent for the FT All-Share Index for the main London Stock Exchange.

James Henderson, smaller companies specialist with Henderson Administration, which manages £7.4 billion, is typical of the institu-tional investors who have become USM (ans.



investment firms with analysts who do de-

tailed research on the companies, rather than

simply follow the news. Above all, investors

should pay close attention to the quality of a

plete managements. They may lack a group linance director, or somebody responsible for

A poor survival rate among the traded com-panies plagued the USM in its initial years.

The junior market became a magnet for high-

risk oil exploration ventures and computer-

oriented electronics firms. Many of these companies slid into failure in the mid-1980s.

that the market would fade away for lack of

interest as brokerages concentrated their ef-

forts on the larger, more actively traded is-

sues. The small amounts of shares available

for trading in many USM issues had always

provoked anxiety about the market's liquid-

ity. It still is difficult to acquire shares in some popular companies, and many issues trade

The liquidity fears appear to have been largely unfounded. More market makers have

come into the USM since Big Bang, actually

improving liquidity. "From the small inves-

tor's point of view, selling a thousand shares

of a USM company is no problem, says Alex Lyle, who manages Allied Dunbar's Smaller

Even so, the greater institutional presence

in the market has not been greeted with uni-

form enthusiasm, especially when it comes to

new issues. Before the Big Bang, companies were allowed to obtain a listing even though

their initial offer was in the form of a private

Placing became popular for new listings

because the method was less expensive for companies than doing a full-fledged public

offering, which entails more documentation

and advertising. Also, placings put the shares immediately into the hands of favored institu-

After criticism that private placings were

limiting small investors' access to new issues.

the stock exchange changed the rules so that a

broker can place up to 75 percent of the issue.

but the remaining 25 percent must go to a

Companies Unit Trust

Before last fall's Big Bang, there were fears

Young companies often don't have com-

company's management.

strategic management," he says.

He went into JS Pathology at the beginning. and still holds the stock.

"I've visited many USM companies," he said, and I've often been quite impressed with the enthusiasm, drive, and management skill of these smaller companies.

But Mr. Henderson's experience shows that even professionals can latch onto problem shares. He cites an electrical equipment company, Godwin Warren, which he bought at 170 pence, and recently sold at 110, after an acquisition the firm made went badly wrong.

Part of the risk, he says, is that despite the rise in interest among the big brokerages, there is still far less information available on these smaller companies than on the big names, "The lesson," he says, "is that you have to monitor the USM companies closely. and often that means you have to do the research yourself because for many of these firms there is nobody in the City doing regular

Mr. Blackley says investors should look for



Analyzing blood samples at JS Pathology.

A Case of Splitting Shares MAY have its Strips and Tigers, but it is stocks that boast primes" and "scores," These are the components of a little understood investment tool that is designed to appeal to both incomeoriented investors and speculators

betting on higher prices. These instruments are derived from splitting a share of common stock in two. One part, called the prime, entitles the investor to receive dividends and some capital appreciation. The other component, the score, gives the purchaser the right to capital appreciation above a predetermined level, usually after a price rise of about 25

Primes and scores are created when owners of common stock currender their shares to trusts that have been established by Americus Shareowner Service The invention is the brainchild of A. Joseph Debe, president of Americus, who secured approval from the Securities and Exchange

Commission three years ago. The trust issues a "unit" for each share that includes a prime and a score. An investor can hold both components or sell them sep-arately. Most are traded on the American Stock Exchange.

For example, an investor who tendered shares in Ford, which was trading at \$93.75 last week. would have received a prime that was trading at \$65.75 and a score quoted at \$29.875. This adds up to \$95.625, almost a two-point pre-

"It offers investors a choice that they never had before," says Emmett J. Harty, vice president and manager of the trusts for Alex Brown & Sons Inc, which is dealer-manager for the trusts.

He notes that conservative investors, who are more interested in preserving capital, are attracted to primes. Those willing to take a significantly higher risk can trade scores. Last year, the share price of Exxon rose 35 percent: Exxon scores rose more than 125 percent.

American investors have been slow to warm to the new instruments, acknowledges Mr. Harty. Investors in Europe and Asia, who are more familiar with trading warrants, have been big players in scores, he says.

Investors must supply at least 100 shares to qualify for a trust. In addition, they pay a fee up to 1.25 percent of the price of the common stock when entering the trust. Still, investors should keep in mind that they would have to pay five years.

Stocks

Market Scoreboard Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in April. Price Percent May 29 New York Stock Exchange: piled by Media General Financial Ser Tootsie Roll Indus 54 25 23 21 20 20 20 19 Harcourt Brace Nord Resources CP Spectra-Physics Inc. First Capital 30.50 11.00 11.13 Electrospace Systems Claire's Stores Inc. 27.50 48.50 75.75 86.50 Knogo Corp. USPCI Inc. INC Pharmaceuticals 17.00 15.88 17.50 Allegheny Int'l. Centerior Energy **Burlington Industries** Patten Corp. Davis Water & Waste 16.25 10.38 Emery Air Freight Toll Brothers Inc. American Stock Exchange: NVHomes Canandaigua Wine Seaboard Corp. Barnwell Industries 71 47 17.50 124.50 Howell Industries 13.88 10.50 Watsco Inc. Class B 12.88 Home Shopping 45 44 O'Okiep Copper Co. Beard Co. AT&E Corp. Over the Counter: 43 37 35 35 33 Zondervan Corp. Modulaire Indus. 20.25 22.00 43.75 12.00 Viratek Inc. Royalpar Indus. Inc. Bonray Drilling CO. Plasti-Lane Inc. ZZZZ Best Co. London Stock Exchange: 210 694 592 233 603 450 297 395 232 246 Plessey De Beers British Aerospace 585 514 523 207 289 400 115 407 230 Harrisons Crosfield Land Securities Telephone Rentals Saatchi and Saatchi Freemans Laura Ashley United Newspapers **British Printing** FR Group **British Gas** United Scientific Mercury Int'l. General Electric Turner and Newal Tokyo Stock Exchange: Compiled by Morgan Stanley Capital Inte

about 60 cents a share to tender Ford stock and around 50 cents for Dow. There is no charge to redeem units for common stock. All trusts will expire at the end of

Total return measures both the changes in the prices of securities and the income they provide either in dividends or interest. Gains or losses were measured by comparing market indexes with their levels a year earlier. The chart does not take into account taxes or inflation.

Shokusan Jutaku Sogo

Denki Kagaku Kogyo Nisshin Steel

Sekisui Chemical

Kvushu Matsushita

Nippon Light Metal Hirose Electric

Misawa Homes

Sekisui House

Total Return for 12 Months

Total return for 12 months ended

April in local currency

So far, 20 trusts have been creat- he introduced before the end of ed, each specializing in the shares of a single blue-chip company, which there is no capital gains tax such as Ford, General Motors, on exchanging stocks for primes IBM and Bristol Myers.

485 3,200

Kyushu Electric

Tokyo SAS Chugoku Electric

Hokkaido Electric

Shimizu Construction

Nikko Securities Yamaichi Securities

Nomura Securities

Daiwa Securities

June. A special exemption, under John Mechan

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2,500

1,030 2,570

4,990 3,100

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8 18 28 38 48

9 19 29 39 49

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EACH BOARD = 1 GAME MARK 6 NUMBERS ON EACH BOARD YOU WISH TO PLAY

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19 29 39 49

FUNDS

A Comeback for the Funds of Funds

By Anise C. Wallace New York

ONSUMERS IN AN affluent society face an abundance of choices, sometimes too many. Too many telephone companies, too many shades of pink lipstick, too many mutual funds.

Mutual funds have proliferated to such an extent that some people are seeking guidance in choosing among them. That has spelled opportunity for investment organizations in the United States. In the past two years, a number of firms have revived the 1960s fund-offunds approach, in which a money manager invests in a variety of mutual funds, rather than directly in stocks or bonds.

In addition to mutual funds, some trust account managers and private partnerships have adopted this approach. A no-load mutual fund wooing the small investor might require a minimum investment as low as \$250, while a private partnership with a wealthy clientele might seek a minimum of SI million or more.

Investors pay a price to have a mutual fund to pick other funds for them. Many of these funds tend to produce below-average investment results. And some funds have lavers of management fees. which make them more expensive than direct investments in mutual

of the first organizations to revive funds.

the fund-of-funds concept when it offered its STAR Fund, which invests in shares of Vanguard's other mutual funds, in 1985. Vanguard said its customers had become confused trying to choose from more than 40 mutual funds, "We wanted to simplify the choice," says Jeremy G. Duffield, senior

Similarly, executives at T. Rowe Price Associates decided to start two such funds after the number of their mutual funds increased to 24, up from 10 in 1982. The two new funds, which are still in registration with the Securities and Exchange Commission, will invest in shares of Price's growth-stock funds and income-oriented funds. Individual investors who do not

want to be restricted to the mutual funds offered by one organization have other choices. Scudder Fund Distributors recently began offering investors the Rodney Square Multi-Manager Fund. Rodney Square Management Corp. of Wilmington, Delaware, manages the fund, which includes three separate stock portfolios managed, in turn, by nine investment management firms.

In addition, the FundTrust series, distributed by Furman Selz Mager Dietz & Birney Inc., offers funds that invest in income funds, growth-stock funds, aggressive funds. The Republic National Bank of New York, the investment adviser, invests each fund in The Vanguard Group was one shares of 10 to 12 other mutual

Too much diversification can be a bad thing. The more diversified a fund is, the closer it comes to matching the average performance of all stocks. After management fees and stock trading commissions are subtracted, the performance can easily slip below the average. "By definition, they are overly diversified," says Michael Lipper, president of Lipper Analytical Services, which tracks fund

lotal return for 12 months ended

April in dollar terms

HE PERFORMANCE OF Vanguard's STAR Fund. for instance, has been "reasonable but not stellar," Mr. Duf-field acknowledges. "We are not promising spectacular performance, just good steady perfor-mance over the long term."

The Vanguard START fund advanced 9.26 percent during the 12 months ended May 28, according to Lipper. In comparison, the average balanced mutual fund gained 12.51 percent in the same period and the stock market, as measured by the Standard & Poor's 500-stock index, was up 17.25 percent. Similarly, the FundTrust funds also underperformed their respective sectors.

Still, Michael Hirsch, senior vice president of Republic, argues that these funds will fare better in growth funds, and growth income a down market or over long market cycles.

But there remains the thorny issue of management fees. While Vanguard and T. Rowe Price do not charge an additional fee on top of the underlying mutual

The fund-of-funds approach is being promised to big investors. too. There has been a proliferation of private partnerships that invest in stocks, bonds, options, futures and other financial instruments, such as those managed by Cum-berland Partners and New York investors George Soros, John Oppenheim, Martin Perelman and lulian Robertson.

Typically, these aggressively managed partnerships, or "hedge funds," have been available only to wealthy individuals. Their excellent results - compound annual returns of twice the Standard & Poor's 500 index, according to a study of 75 partnerships by Tremont Partners - have made them attractive investments for a number of new investors. But the hedge funds usually charge a fee that can be as high as 20 percent of the profits.

Firms such as Tremont in Stamford, Connecticut, and Stolper and Co. in San Diego are setting up partnerships that invest in seven to 10 other partnerships. Minimum investments range from \$250,000 to \$1 million. For a fee, Tremont and Stolper select the hedge funds, monitor their performance and provide the portfolio accounting for investors. Stoiper's president. Michael Stolper, estimated that as many as 25 of these partnerships of partnerships might be in formation.

All in a

1987 The New York Times

and the second s



Scrapping of Minebea Issue **Humbles Nomura Managers**

By CARL GEWIRTZ Intervational Herald Tribune

ARIS - Canceling a bond issue in the middle of its syndication is always an embarrassment. Canceling half of an issue while a parallel portion proceeds under the aegis of a different bank must be the equivalent of mortification.

That's what happened last week when Nomura Securities canceled the \$100 million equity linked Eurobond it was managmg for Minebea, the Japanese manufacturer of ball-bearings, while archival Daiwa Securities maintained the companion \$100 million - bearing nearly identical terms - being offered in the Asia-dollar market

The question is why Nomura Securities tolerated this humilia-

Nomura's official explanation is that the Eurobond was not well received and that it did not want to stick underwriters with an issue on which they would lose a considerable amount of money -a mixture of truth and hype.

That the Eurobond was a

That the Eurobond was a bomb is not open to question. It was trading at a big

bomb is not open to question. The paper was trading on a when-issued basis at a substantial discount — down 12 percent at its worst and off about 8 percent when it was pulled

The coupon on the five-year bond was indicated at 1% percent and the warrants were to be convertible into shares at a premium of some 2½ percent over the prevailing Tokyo Stock Exchange price. On the Asia-dollar issue led by Daiwa, the indicated coupon has been increased to 114 percent. The low coupon, typical on equity warrant bonds, means that investors are asked

to pay a de facto premium of 30 percent to buy the stock.

The justification for such a hefty premium is the anticipated profit to be made on the warrant generated from the upward volatility of the stock price. But Minebea's stock performance has been lackluster. Although only 35 percent of its output is exported - given the appreciation of the yea, export-oriented companies are currently out of favor - the stock price peaked in 1983 at 895 yen and has since drifted lower. The shares ended the week trading at 641 yea, up from 615 year a week earlier.

HILE Nomura's expressed concern for the losses un-HILE Nomura's expressed concern for the losses un-derwriters would suffer is noble, it does not square with the facts. The Japanese securities houses are as competithe facts. The Japanese securities houses are as competi-

tive and cutthroat as any in the business — and that does not leave room for any sympathy for losses at other firms.

Nomura, for example, did not withdraw the \$17-million issue for Eagle Industry that carries a coupon of 1% percent and finished the week at 92, or \$920 for each \$1,000 of nominal valuation. Nomura said the issue was too small to cancel because of its 8-percent drop in value.

A more credible reason for the Minebea cancellation is that Nomura was unable to find other banks willing to join the underwriting syndicate, leaving it with the loss if the issue proceeded. But this is not a satisfactory explanation since the Japanese firms are notorious for their willingness to do business

This muscle flexing is part of a long-term strategy to win market share (a high spot in the league tables of most active banks) or to establish a relationship with a new client with whom subsequent dealings will be profitable. Last week, for example, Canada and Sweden tapped the Euroyen market thanks to attractive swaps (the Japanese themselves call it hara-kiri) provided by the Japanese lead managers.

Canada reportedly swapped into floating rate dollars at a cost cf 55 basis points, just over ½ percent below the London interbank offered rate while Sweden paid 70 basis points below Libor for its funds.

In any event, the likelihood of a sizable cash loss for Nomura hardly seems daunting compared to the humiliation of being the first to withdraw a Japanese equity warrant bond and, worst of all, while a companion issue continues to be marketed in the Far East by a competitor.

market — is Minebea's abhorrence of seeing its equity warrants trading at a substantial discount.

That's because in late 1985 Minebea became the first Japanese company to be subjected to a hostile takeover from foreign interests - a consortium of U.S. and British investors - who had amassed a 30-percent stake in the company largely by buying cheap stock options (convertible Eurobonds and equity warrants) at an average price of 600 yen per share in the Eurobond market.

The bid failed and the consortium sold its stake at a profit to unidentified Japanese investors. But Minebea would not want to

expose itself to a possible replay. The tandem syndication was a novelty that Victor Co. of Japan also employed. Having close relations with more than one securi-See BONDS, Page 13

Currency Rates

	Brussels(a)	27.5575	41.39	20.73	6207	2,542 **	1849	_	24,9905	,36.21 °
	Frankfart	1.8114	2,999		29.51 *	1.3825 ×	80.75 °	4122	120.60 *	124
	London (b)	1.6315	·	2,9900	7.395	2,139,50	1336	61,245	2.4505	234.44
	WD/m	1.312.75	2,145.20	724.50	216.74		PUT/II	34,945	872.50	9.150
	New York(c)	-	0.6137 =	7.678	4.007	1.316.00	2046	37.49	1,5007	143,15
٠.		A.0673	9.904	3,3444		44175 ×	29486	14,1325	4,633	42262 *
ě,	Tokyo	144.35	235.07	79.42	23,78	10.95	70.55	383.91	94.84	_
•	Zurich	1.503	24515	82,895 °	MH.	0.7146 *	73.46	4.0033 *	_	1,0467 *
	LECU	1.1465	9.7911. 8.7901	2.0734 N.Q.	4,9332 7,8149	1,502.06 1,493.67	2.3349 2.6339	42,9857 46,4556	1.7161 N.Q.	144.8% 185.397
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Sources: Indosuez Bonk (Brussels); Bonco Commerciale Italiana (Milan)); E de Paris (Paris); Bank of Tekya (Tokya); IMF (SDR); BAII (dinor, rival, di (rubie), Other data from Raufers and AP.

Last Week's Markets

All figures are as of close of trading Friday

	Stock In	dexes			Money Rat		_	
	United States	June 5	May 29	Ch'9e	<u>valled Slutes</u>		June 5	May
	DJ Indus. DJ Util. DJ Trans.	2,326,15 198,64 986,66	196.84 976.68	+ 1.57 % + 0.50 % + 1.02 %	Discount rate Federal funds ra Prime rate Japan	ber.	5 12 6 11/16 814	59/1 69/1 81
	S & P 100 S & P 500 S & P Ind NYSE CP	288.22 293.45 340.53 165.49	290.10 340.09	+ 1.14 % + 1.15 % + 0.13 % + 1,23 %	Call money 3-month interbor	ık	2½ 3 3/16 3 1/16	21 3 3/1 3 9/1
	<u>Britein</u> FT5E 100 FT 30	2 <u>,228.80</u> 1,729.90		+ 1,17 % + 1,04 %	West Germony Lombord Coll money 3-month interbon	ı	8 3.45 3.75	45
,	Nikkei 225		24,772.39	+ 2.01 %	BANK bose rom		9	
	West German Commerzibk		1,759,60	-102	Call money		16 8 9/14 May 29	. 99 8 15/1 Cary
	Hone Kode Hone Sens	3,064,33	2.919.70	+ 4.95 %	Bk Engl Index Gold	no.	101.90	-%
	MSCIP	468,40		+ 1.96 % Copital Iniff.	London p.m. fl/LS	453.50	451.00	+0.55

Markets End Triple Witching

Morning Expiry For Stock Index

Compiled by Our Staff From Dispatches NEW YORK — The New York Stock Exchange, Chicago Mercantile Exchange and New York Futures Exchange have announced settlement plans to move the expiration of stock index contracts to the start of the trading day on "tri-

ple-witching" Fridays.

The triple-witching days, also called expiration Fridays, occur four times a year, when stock options and index options expire and futures on index options come due on the same day. Share prices are often dramatically affected by the triple settlement days.

Under the new procedures, anounced Friday and effective June 18-19, the settlement of the stock index contracts will be based on the opening prices of the component stocks, rather than the closing prices. Trading in the contracts will end at the close of trading the previous day.

"Morning settlement will expose order imbalances to the full sunlight of public disclosures, ensure the broadest dissemination of mar-ket information and facilitate the participation of all interested investors," said Robert Birnbaum, president and chief operating officer of the NYSE.

The new procedures apply to the NYSE Composite Index option, the NYSE Beta Index option, the NYSE Composite Index futures and the NYSE Composite Index futures options.

Also affected are Standard & Poor's 500 Index futures and Standard & Poor's 500 Futures options on the Chicago Merc.

The NYSE listed the new procedures it will follow. The order entry system will open at 7:30 A.M. to ocept orders of 30,099 shares or less. All stock orders relating to expiring index contracts must be submitted to the NYSE by 9 A.M. Imbalances of 50,000 shares or more in 50 large capitalization stocks will be disseminated on news tickers beginning at 9 A.M. Stocks will be subject to regular

The New York Futures Exchange, a subsidiary of the NYSE, said if a stock does not open, June 19 settlement calculations will be based on the last transaction price for that stock. Preliminary calculations of the final settlement index will be disseminated during the day. The NYFE trades the NYSE composite index futures and futures options. (UPI, Resaers)

China, U.K. Sign Accord to Settle Property Claims

BELJING — China and Britain have signed an agreement settling all historical property claims and opening the way for China to issue bonds on the London capital market, the British Embassy said.

China is to pay Britain £23.47 million (\$38.24 million) and Britain pay China \$3.8 million in settlement of claims. China has made similar settlements with the United States and Canada.

China had been barred from issuing bonds in London because it refused to honor pre-1949 debts. After the announcement, the London Stock Exchange said Fri-day that trading in Republic of China, or Taiwan, bonds had been

In Italy, Business Is a Family Affair Beretta Gunmakers Move Ahead 'Sweetly,' Not Quickly

By Roberto Suro New York Times Service GARDONE VALTROMPIA.

Italy - The inhabitants of this little town at the foot of the Alps started making guns some 500 years ago. It was a natural thing to do: The steep valley walls were loaded with iron ore, and the old Venetian Republic often Weapons are still the major

product here, because traditions die hard in families like the Berettas. Having almost certainly armed the Venetian sailors that defeated the Turkish fleet at Lepanto in 1571, the Berettas are now supplying the Pentagon with handgums to replace the leg-endary Colt .45. The Berettas claim to be the

world's oldest industrial dynasty. Indeed, a document in the Venetian state archives shows that on Oct. 3, 1521, the republic's arsenal paid Master Bartolo-meo Beretta 296 ducats for 185 harquebus barrels. A harquebus was an early version of a portable gun. The company's senior management can be traced in a continuous line through 13 gen-erations back to Master Bartolo-

Like some other family businesses in Italy, Beretta has mixed conservative business practices with innovation in design and manufacturing techniques. As a result, the company is neither very big nor immensely profit-able. But it survives — and occasionally prospers — by concen-trating on one kind of product and insuring that at least a few of its guns are the best that money

"Certain lessons have been handed down over all these years," said Ugo Gussalli Beretta, the clan's current leader. "We have developed an understanding of quality, and we have learned how to make progress sweetly, always on a steady course, not with big, quick

steps."
This kind of strategy can have its drawbacks. Last year, Beret-ta's Italian operations ended with a net profit of about \$1

from 1985 and less than 1 percent of total sales.

Beretta ascribes the poor performance to several factors. The dollar's drop has made the company's best-quality guns extremely expensive in the United States. The global market in hunting guns has been flooded



Ugo Gussalli Beretta

by cheaper, less deluxe models. The Italian market has dropped by 30 percent over the past few years as the government places increasingly severe restrictions on hunting in the face of deplet-

"The bourse might be a bit impatient with us," Mr. Beretta said. "but when shareholders are primarily relatives you have a certain stability because they are ready to make sacrifices." Relatives own 64 percent of Beretta's stock — the rest was sold 15 years ago to the Fabrique Nationale, the Belgian arms company, to raise capital and protect against takeover attempts.

Certain family traditions help the Berettas avoid some of the pitfalls of family-run operations. The business is not run democratically. "There has always been a *capo* whose word was final," Mr. Beretta said. And the rule of primogeniture has never been applied: First-born sons have been passed over several times in favor of more qualified

million, down about 20 percent younger siblings. Ugo Beretta's 80-year-old uncle, Giuseppe, is president of the company, though he is virtually in retirement, and about 20 family members hold jobs at Beresta.

But family tradition has not prevented innovation at the factory that produces 250,000 guns a year from a sprawl of buildings on either side of a rocky stream in Gardone Valtrompia. Beretta leads the industry in experimenting with the uses of aluminum alloys in gun parts, for example.

The modern methods, though, are balanced by a long-term view, "Signor Ugo," as Mr. Ber-etta is known, never ignores the lessons of history, "Weapons companies have always been prime candidates for nationalization," he said. "Right now the government favors the private sector, but who knows about 10 or 50 or 100 years from now?"

He is cautious about military

sales generally. The U.S. Defense Department's 1984 decision to buy 320,000 Beretta 92SB-F 9mm pistols for use as a standard sidearm produced exceptional publicity for Beretta, But overall, Beretta is keeping the military side of the business to 20 percent to 30 percent of sales, as it has been for several years.

Mr. Beretta, a dapper, strongly built man, says that is because the arms market is unpredictable. Indeed, Congress decided in 1986 that when the contract is completed in three years, the Pentagon will have to test a range of sidearms — as it did in 1984 — before continuing to buy the Beretta.

Beretta's careful approach extends to its American operation, Beretta U.S.A. To satisfy coneressional rules that a certain percentage of goods covered by a Pentagon contract must be made in America, Beretta makes 9mm pistols at a factory in Accokeek, Maryland. It is a relatively smallscale operation. "We had the choice of raising more capital to set up a bigger operation, but we knew we could do well," said Mr.

Jacorossi Brothers Build Energy Empire

By John Tagliabue

ROME - "The idea," said Angelo Jacorossi, the head of Fintermica, Italy's fastest-growing and biggest energy conglomerate, "was never to get too enemored of our products." The three Jacorossi brothers

inherited their father's charcoal business in 1952 and turned it into a billion-dollar energy holding company. They have pros-pered in the cyclical energy business by being flexible: When cheap fuel oil abounded, they made millions selling oil burners. When the price of oil rose, they marketed the equipment needed to use less of it.

"They're aggressive and clev-er," said Guido Roberto Vitale, managing director of Euromobi-liare, the Milan brokerage that the family will use to take 25 percent of Fintermica public this fall. "They've built a strong company on a very volatile market."

Now the family faces the challenge of sustaining the company's growth as flagging world trade causes Italy's export-ori-

ented economy to slow. So far, the Jacorossis have proved themselves adept at responding to changing economic conditions. During the 1950s, as cheap oil became widely available, they shifted their emphasis from coal to oil. When methane gas deposits were discovered in the Adriatic sea, the family quickly moved to claim a piece of

went into services — developing turnkey hearing and cooling systems for homes, offices and fac-tories. And they snapped up small electronic companies to offer the sophisticated process controls that became the heart of energy systems.

To finance the company's growth, the Jacorossis devised an intricate net of cooperative agreements. In 1970, for instance, they linked up with Agip,

> The trio turned a charcoal business into a billion-dollar company.

the government-owned energy company, in a deal that provided them access to Agip money and Agip access to their distribution

The Jacorossis' energy empire also grew through acquisitions. Last year, when Texaco decided to leave Italy, the family bought its Italian subsidiary, along with 850 service stations.

To diversify, the brothers purchased a stake in a group that cleans industrial wastes and forged a link with the Otis unit of United Technologies Corp. to make and sell elevators in Italy. The Jacorossis created Finter- Father; my partner I choose."

companies. Today 38 companies full under Fintermica's umbrella.

No other energy company in Italy competes with Fintermica on a national scale. The company had sales equivalent to more than \$3.1 billion last year. But its pretax income amounted to \$10.9 million — almost a third less than the year before, because of falling oil prices.

Though widely differing in temperament, the three brothers rate closely. president of Fintermica, is a bubbling and dynamic person, despite some rough personal ex-periences: In 1979, he was kidnapped by terrorists and held for three months in a tiny underground cubicle until the family paid a \$620,000 ransom. Ovidio, 52, a quiet, thoughtful planner, heads Jacorossi SpA. Giancarlo, 40, has been integrating Texaco's holdings after the takeover.

Despite the success of their family-style management, the Jacorossis say they must bring in more outsiders to the top ranks of the business if Fintermica is to continue its expansion.

"As family control becomes the great limit to the system, we're gradually professionaliz-ing," said Angelo, using his pre-ferred word for describing the introduction of nonfamily executives. "You know," he said, "my brother I get from the Eternal

Oslo Considers Loan Write-Offs At Defense Firm

LONDON - Norway will de- the state, the bankers said. cide this week whether to ask banks loans to Kongsberg Vaapenfabrikk, the troubled state-owned eign lenders. military contractor. The decision could affect Norway's reputation recently with an investigation into on international credit markets.

Bankers said they entered the loan agreements in the belief that the loans were in effect guaranteed by the government.

Kongsberg, which posted a loss of 339 million Norwegian kroner The government's prop (currently \$50.46 million) in 1986, has received injections of capital from the state in recent years. However, the government balked at a 1.3 billion kroner refi-nancing proposed by the company,

which makes weapons and engines. Bankers said the government's counterproposal calls for the gov-ernment to contribute 850 million kroner, with the company's creditors making up the rest.

The Storting, Norway's partiament, is to decide on the proposal Bankers said they objected to the

proposal because it would force them to write down a significant part of the loans and because of the precedent such a move would set. The loans do not carry a formal

state and its board is appointed by

Bankers put Kongsberg's total to write off part of outstanding debt at 1.6 billion kroner, of which about 1.2 billion is owed to 33 for-

Kongsberg has also had to deal allegations that it illegally sold equipment and software to Toshiba Machine Co. of Japan, knowing it would be shipped to the Soviet Union. Kongsberg's export trading

The government's proposal requires the approval of 60 percent of

The agents for the company's major creditors are Den norske Creditbank, Christiania Bank og Kreditkasse and Samuel Montage

Bankers said that as an alternatives to the government's plan, the company could be declared bankrupt, which they estimate would cost the government about 900 million kroner, or the government could accept a full refinancing of

They said they considered these sums small in the circumstances. Bankers noted that the decision comes at a time when Moody's Investors Service Inc., the U.S. rating agency, is reviewing Norway's covguarantee, but the bankers said eted Triple-A rating for its longthey considered one to be implicit. term foreign debt because of the Although Kongsberg is a public impact of declining oil prices on the limited company, it is owned by the economy.

Europeans Beating U.S. In Freer Japan Markets

TOKYO — Europeans have rushed to capitalize on Japan's two-year-old "Action Program" to remove import barriers, while some Americans concede that U.S. companies have been slow to seize the new opportunities.

Foreign analysis and executives say that many informal barriers remain, but they generally give Japan high marks for carrying through specific market-opening promises under the action program.

"Part of the problem is that

Americans don't take advantage of the changes, while European ex-porters have jumped," said Henry Sampson, publications director for the American Chamber of Com-European exports to Japan were

up 8.6 percent in yen terms and 34 percent in dollar terms in the first quarter of this year, to 565 billion Finance Ministry figures. U.S. exports to Japan were down

10.3 percent in yen terms, and up just 10.8 percent in dollar terms, to 1.07 trillion ven from the same period last year, ther ministry said. Those figures were reached despite a far greater depreciation of the U.S. dollar against the yen com-

pared with European currencies, a trend that should have made U.S. products more competitive in Japan than European goods. The 88-point, three-year action program to open Japan's markets to foreign goods was announced in July 1985 by Prime Minister Yasu-

hiro Nakasone. When the program is fully implemented next year, tariffs on 1,860 industrial and agricultural items will have been reduced or eliminated, and 88 measures enacted to ease certification and technical standards for imports.

The program also promises foreign companies easier bidding on government procurement contracts, selling services and playing a

role in Japan's financial and capital markets.

Michael Lake, a spokesman for the European Community, said, "It's fair to say of the action program as laid out by the Japanese that the Japanese have carried out virtually all of it, and accelerated

But he said that Japanese domestic demand still needed to grow, the distribution system needed modemizing and special interest tariff barriers must be removed.

However, Mr. Sampson said much of the blame for the trade imbalance lay with Americans. "In a lot of ways, we've been fat, dumb and lazy," he said. "Europe-

ans have been making progress. Americans have not." For example, West Germany accounted for about 80 percent of the 69,357 imported cars sold in Japan in 1986. U.S. companies exported only 2,345 cars to Japan last year, sharply down from the 1979 peak of 16,730.

James T. Conte, manager for the soup manufacturer Campbell Japan inc., said, "From Japan's point of view, we Americans are telling them they have a long way to go, and they say, 'Look what we've done already and you haven't even taken advantage of that."

■ Finance Moves Criticized

The government's recently announced measures to improve foreign companies' access to Japanese financial markets fall short of many U.S. firms' hopes, The New York Times reported from Tokyo.

While U.S. banks welcomed the promise of licenses for securities subsidiaries and the eventual opportunity to buy more seats on the Tokyo Exchange, executives at many U.S. securities firms said they were disappointed with the scale of greater participation they have been promised in government bond issues.

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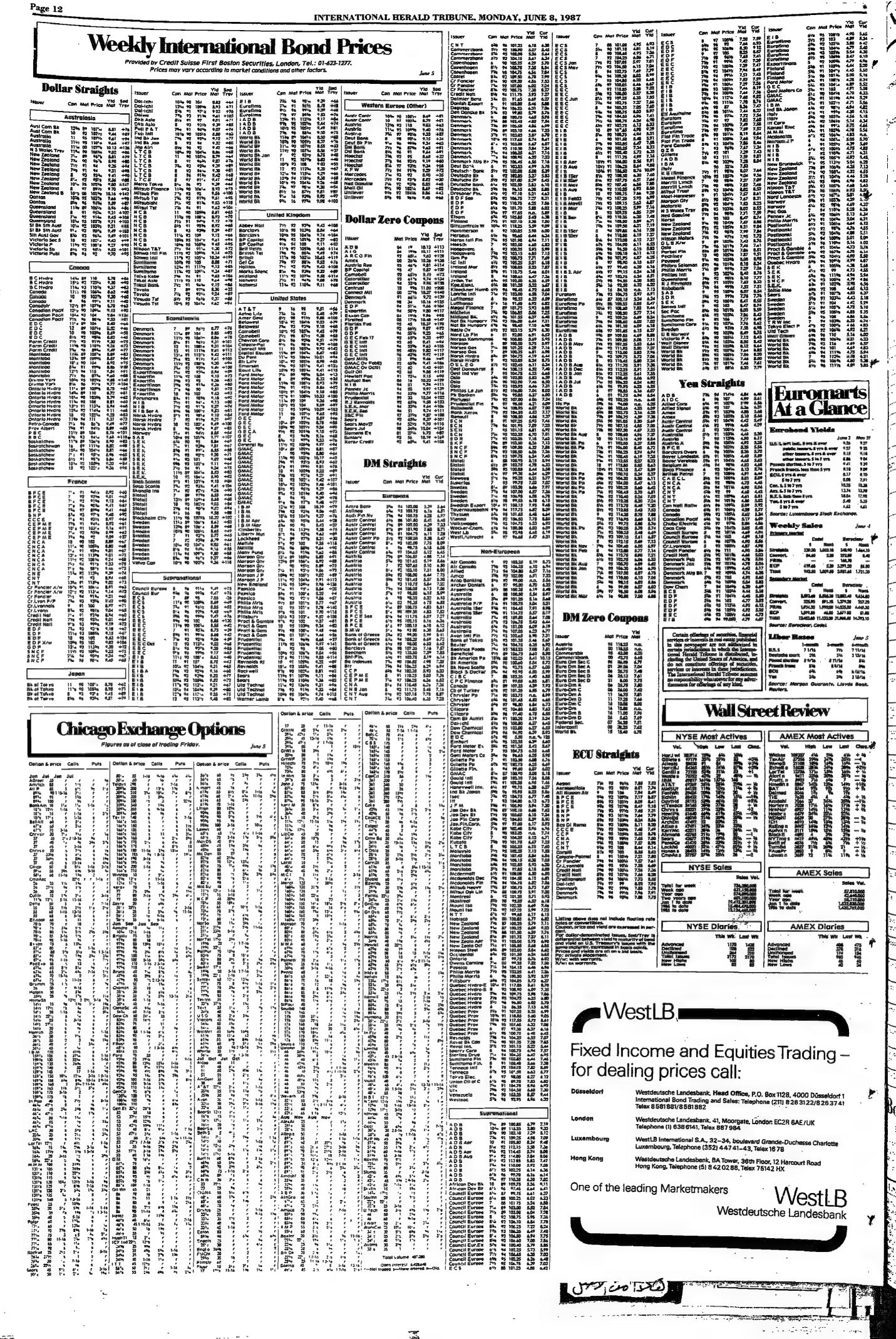
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and Little	Issuer	Amount (millions)	Mat.	Coup.	Price	Price end week	Terms
ţ	PLOATING RATE NO	TES				week	· · · · · · · · · · · · · · · · · · ·
	Stair Athol Finance	\$110	1994	0.15	100.is	100.00	Over 6-month Libor. Colleble at par in 1988, Fees 0.25%. Denominations \$50,000, Invital tranche of a \$141 million offering.
	FIXED-COUPON					•	ciang.
	Coastal Mercedes-Benz Credit	\$ 60	1992	11%	100%	99.63	Noncollable. Fees 1%%, increased from \$50 million.
	National Home Loans	\$100 \$100	1992 1992	81/4	100%	98.15	Noncolloble. Feet 1%%.
	RJR Mabisco	\$100	1994	874	100%	108.00	Noncollable, Fees 1%%, Redeemable at par in 1991, Fees 1%%.
	Degussa Int'l Finance	DM 200	1997	61/6	100	97.50	Noncolloble, Fees 29%.
	Oesterrenchische	DM 150	1994	636	100	98.70	
	Kontrollbank		1992	5	100	99.30	Noncollable, Fees 2%.
	Asian Development Bank World Bank	£ 50	1997	916	101%	99.38	Noncolloble, Fees 2%.
	Rabobank Nederland	DF 200	2007 1992	91/4	98% - 100%	96.55	Noncollable, Fees 2%%. Noncollable private placement.
	Japan Highway Public Corp.	ECU 120	1994	7%	1011/4	99.25	Noncollable. Fees 18%.
	Kemira Oy Swedish Export Credit	ECU 100	1992 1992	8 7%	10134	99.50	Noncollobia. Fees 14%.
	Avco Financial	CS 75	1992				Monocillable. Sinking fund to start in 1988. Fees 13:76. Denominations \$500,000.
	Services (Canada) Die Erste			10%	100	98.00	Noncalloble, Feas 11/%,
	Oesterreichische Spar-Casse	C\$ 50	1992	9%	101%	99.75	Noncolloble. Fees 17/%.
	BP Capital Sanque Nationale de	Aus 100	1992	13%	101%		Noncollobia, Fises 2%.
	Paris (Amsterdam)	Aus\$ 65	1991	14	1011/2	97.50	Nencoliable, Fees 136%.
	Fiat Finance & Trade Landesbank Stuttgart	Aus\$ 50 Aus\$ 50	1990 1992	1416	101%		Noncollobia, Fass 11/%.
	(London)						Noncolicible. Fact 2%.
	Unilever Capital Canada	NZ\$ 65 Y 80,000	1989 1992	1814	101%	99.88	Noncoliable. Fees 1%%.
	DFC Finance Overseas	Y 10,000	1992	814	101%	_	Coupon payable in Australian dollars. Redemption at maturi- ty will be 60% in yen and 40% in dollars. Nancolloble, Fees
	Sweden	Y 50,000	1992	4%	101%	99.50	1%%. Denominations 100 million yen.
	EQUITY-LINKED	. 50,000	1772	776	10196		Noncolloble. Fees 199%.
	Asics	\$ 50	1992	1%	100	98.00	Noncaliable, Each \$5,000 note with one warrant exercisable into company's shares at 600 year per share and at 143,75 year per dollar. Fiers 244%.
	Canon Sales	\$100	1992	open	100	99.00	Coupon indicated at 196%. Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 297% premium, Fees 297%. Terms to be set June 9.
	Doiichí L	\$100	1992	1%	100		Noncollable. Each \$5,000 note with one warrant everdsable into company's shares at 2,809 yen per share and at 145.00 yen per dollar. Ress 214%.
	Daiwa Danchi	\$100	1992	open	100		Coupon indicated at 1995. Noncolloble, Each \$5,000 note with one warroot exercisoble into company's shares at an expected 299% premium, Fees 26%. Terms to be set fune 12.
	Daiwa House Industry		1992	114	100		Noncaliable, Each \$5,000 note with one warrant exercisable into company's shares at 2,604 yen per share and at 146.20 yen per dallar. Fees 254% increased from \$300 million.
	Eogle Industry	\$ 17	1992	1%	100		Noncelloble. Each \$5,000 note with one warrant exercisable hito company's shares at 729 yen per share and at 146,20 yen per dallar. Fees 214%.
	Ericison	\$ 60	2002	6%	100		Convertible at 326 kronor per share and at 6.374 kronor per dollar.
	Fukuaka Sago Bank	\$ 50	2002	1%	100.00	102.25	Semicropuol coupon indicated at 136%. Conventible at 133 pro.psc spareiand at 14525 yen per datar. Fees 284%.
	Hokuriku Bank	\$100	2002	open	100		Semicanuel coupon indicated at 1985. Convertible at an expected 5% premium. Fees 2015. Terms to be set June 10.
	Hyogo Sogo Bank	\$100	2002	1%	100		Semiannually. Convertible at 1,229 year per share and at 145.25 year par ball of 145.25 year par dollar. Fees 296%.
	Minebes	\$100	1992	open	100		Coupon indicated at 116%. Noncellable. Each \$5,000 nate with ape warrant conceasable into company's shares, of an expected 294% premium. Peer 216%, Terms to be set June 10.
	Mitsubishi Chemical	\$200	1992	open.	100	105.25	expected 2925 premium. Peer 2945. Terms to be set sure to. Issued in Asia. Coupon indicated at 1996. Noncaliable. Each \$5,000 note with one warrent exerciseble into company's shares at an
	industries Attention	enne	1992	114	100		expected 294% premium. Fees 29/%. Terms to be set June 10.
	Mitsubishi Petrochemical	\$200	1772 .	124	100	4.	Noncollobie. Each \$10,000 note with one warrant exercis- cible into company's shares of \$15 year per share and of 145.25 year per dollar. Fees 254% increased from \$150 million.
	Mitsubishi Plastics Industries	\$ 50	1992	134	100		Noncaliable. Each \$5,000 note with one warrant exercisable into company's shares at 713 year per share and at 145.35 year per dollar. Fees 24%.
	Sekisui Plastics	\$ 40	1992	11/4	100	102.00	Noncelloble, Each \$5,000 note with one warrant exercisable into company's shares at 851 yen par share and at 145.25 yen per dollar. Fees 24%.
	Shinetsu Chemical	\$100	1992	1%	100	110.00	Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 1,917 yen per share and at 143,40 yen per dollar. Feed 244%.
٠	Shiroki	\$ 35	1992	134	100	98.50	Nencolable. Bach \$5,000 note with one warrant exercisable into company's shares or 615 yen per share and at 145.35 yen per dallor. Pees 264%.
	Takara Standard	\$ 50	1992	134	100	<u> </u>	NancaBable, Each \$5,000 note with one warrant exercisable into company's shares or 910 yen per share and at 143.75 yen per dollar, Paes 214%.
	Tobu Railway	\$100	1992	1%	100	103.50	Noncollable. Each \$5,000 note with one warrant exercisable late company's shares at 1,210 yen per share and at 145.25 yen per dollar. Fees 29%.
	Toei	\$ 50	1992	1%	100	102.00	Nencatioble. Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 146,20 yen per dollar. Fees 216%.
	Tokyo Rope Manufacturing	\$ 50	1992	2	100	-	Noncallable. Bach \$5,000 note with one warrant exercisable into company's shares at 508 yen per share and at 146,20 yen per dollar. Fees 24%.
. •	Toppan Printing	\$300	1992	1%	100	102.25	Noncellable. Each \$5,000 note with one warrant exercisable into company's shares at 1,804 yen per share and at 143,75 yen per dollar. Fees 244%.
	Toyo Sash	\$100	1992	ореп	100	101.00	Coupon indicated at 116%. Noncallable. Each \$5,000 nate with one warrant exercisable into company's shares at an expected 256% premium. Fees 256%, Terms to be set June 10.
	Victor Co. of Japan	\$100	1992	open	100	101.00	Coupon indicated at 14%. Noncallable, Each \$5,000 note with one warront exercisable into company's states at an expected 25% premium. Fees 24%. Terms to be set June 9.
	Victor Co. of Japan	\$ 50	1994	open	100	100.00	Coupon indicated at 25%. Noncellable, Each \$5,000 nale with one warrant exercisable into company's shares at an expected 24% premum. Fees 24%, Terms to be set June 9.
	Yakult Honsha	\$ 80	1992	1%	100		Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 3,619 yen per share and at 145.25 yen per dollar. Fees 24%.
	Goodman Fielder U.K.	£ 85	1997	5.	100	100.75	Redeemable at 122 in 1992 to yield 8.70%. Convertible at Aus\$5.535 per share, a 23% premium, and at Aus\$2.275 per pound. Fees 24%.

Bonds Recover From Volcker Shock

£ 66 2002 5

By Michael Quint New York Times Service NEW YORK - Treasury note and bond prices rose for the third yield 8.93 percent.

U.S. CREDIT MARKETS

Monday, when the markets were shocked by the announcement of

The Federal Reserve Board. percent. On Monday, after falling a more balanced position in admillion speculative grade financing more than 3 points in reaction to varies of the economic conference for Zale Corp. and its credit subsidthe announcement that Mr. in Venice, Italy, this week.

consecutive day Friday, returning the market closely overhead to levels that prevailed before to the Volcker announcement, es-Board, said one trader.

gains also reflected a smaller than expected gain in nonfarm payrolls for May and speculative aurabases. Paul A. Volcker's resignation from watched 8% percent Treasury for May and speculative purchases terest rates. bonds due in 2017 were offered at of securities by dealers who were 101 5/32, up 29/32, to yield 8.64 sellers earlier this week but wanted of the day was an eight-part, \$700

the system on cold instead of not. "worned about," said Vic DePaula, posal will figure as a major bar-

Volcker will leave the Fed in August the newest 30-year Treasury

Drexel Burnham Lambert Inc., issue was offered at 98 2/32, to yield 8,93 percent.

"The market clearly overreacted"

The market clearly overreacted issue was in the service sector."

Redeemable at 120 in 1992 to yield 8.54%. Convertible at 302% pence per share, a 26.83% premium, Fees 21%.

pecially since nobody has any good in the retail trade category is conreason to believe that Alan Green-span will be anything but prudent as head of the Federal Reserve May. Many economists expect weak spending by consumers to re-

The largest corporate financing

BONDS:

(Continued from first finance page) ties firm and unwilling to offend one by giving business to the other companies are opting to divide

Minebea separated its issue by markets while JVC split its by maturity. It appointed Nomura to market \$100 million of five-year equity warrant bonds with an indicated coupon of 1% percent and Yamaichi to market \$50 million of seven-year bonds with an indicated coupon of 2.5 percent.

Although JVC depends on exports for about 65 percent of its turnover, making it vulnerable to currency change, both portions

were quoted at issue price. The most popular shares are those companies that are least exposed to exports and most likely to benefit from the 6-trillion yen supplementary budget recently proposed by the government.

Included in the latter category are land holdings - which made the issues from Daiwa Danchi. Daiwa House Industry and Tobu Railway popular. Tobu Railway. which owns the land that could be used for redevelopment, cut its coupon to 116 percent from the indicated 1's percent and still ended the week trading at a premium of 312 percent over the offered price. Sekisui plastics cut its coupon to 11/2 from the indicated 17/4 percent and finished the week with a 2

percent gain. Mitsubishi Petrochemical increased its issue to \$200 million from the \$150 million indicated. cut the coupon to 14 percent matching the lowest yet seen - and ended the week with a 4 percent

premium. Coupons were also reduced for Fukuoka Sogo Bank and Hyogo Sogo Bank, from the indicated 14 to 1% percent, and both issues finished the week with a 214 percent

The ability of Tokyo stock prices to continue to set weekly new highs, despite the adverse impact from the yen's appreciation, is a source of concern for foreign investors. The gain, analysts agree, is fueled by the tremendous liquidity resulting from the huge trade sur-

However, a research report from UBS-Phillips & Drew warns that there could be a "fall in the fall." its May report on Japan said that financing of the supplemental bud-get should drain liquidity. This, of Mitsubishi Trust & Banking effect of tightened margin restric- for issuing certificates of deposit. tions, may prove too much for the market to absorb," it said.

also active in the equity-related other currencies. Using the tap sysmarket. Dee Corp., a British retail tem the borrower has total flexibilichain, increased its offered to £66 ty as to the timing and amount of million from the indicated £60 mil- paper offered to the market. lion. Investors have the option at requesting redemption after five will be able to issue paper in matuyears at a premium price of 120, giving them an effective return on their money of 81/2 percent if the share price fails to rise as expected. rities from one to five years. Unlike

food chain, sold £85 million of con-will be listed (on the Luxembourg for commitments of \$15, million. vertible bonds and ended the week stock exchange) and will pay interjust over par. But L.M. Ericsson of est semiannually rather than annu-Sweden, the telecommunications ally.

CNP, Portugal's state-owned petcompany, did not generate wild enthusiasm and finished the week at maintain an active market in the
lower interest and setting debt at lower interest and setting a new

and whose principal holdings include 26.5 percent of Jardine Math-The minimum initial issue size eson, 25.7 percent of Hongkong Land and 34.9 percent of Manda-for each tranche is \$50 million and each tranche may be increased up rin Oriental, is offering 200,000 cumulative preference shares bearing to a maximum ceiling level, which an annual dividend of 6.5 percent and convertible into ordinary quent taps, bearing the same coushares traded in Hong Kong at a premium of 13.8 percent. premium of 13.8 percent.

bond as the annual dividend is tax ed National Westminster to ardeductible whereas the interest on range a \$250 million, seven-year a boad would not be.

occted to be set between \$22 and years. \$25 per share.

A. Volcker, there was little buying.

In fact, selling was the fad—
particularly of the RJR Nabisco
issue. Launched just before the
news on Mr. Volcker, the paper was
sold massively short by dealers who
were convinced the market was
headed dramatically lower (as it) headed dramatically lower (as it was at the time) and that Bank of America, a rare lead manager,

would not control the issue. Surprise on both fronts. By Week's end, Bank of America was engaged in squeezing the short sellers and the price of the paper was 108 bid-110 offered.

In the Deutsche mark sector, bankers believe the 5-percent coupon on the Austrian Kontroll-bank's 200-million-DM offering of five-year notes will be a low unlikely to be breached. Investors prefer the short maturity, but the pricing was tight, barely matching the yield available on domestic bank paper writing fees were included.

U.S. Consumer Rates

Money Market Funds Doccottoc's 7-Day Average Source : New York Times

Nomura Stumbles

By Jacques Neher their business. PARIS - The Chicago Board Options Exchange may not be a hot tourist attraction, but it has become a mecca for French

stockbrokers in recent weeks Scores of Paris brokers have been investing their time and money in Chicago to witness how an options market operates, in preparation for the debut of options trading at the Paris Bourse later this month.

But as excited as they are about the potential for their own options market, set to start with contracts based on six major French stocks on June 23, none holds any illusions about ever rivaling the raucous Chicago exchange, where daily volume often

exceeds a half million contracts. "The Paris options market won't ever be that big, but it can still be good," said Jean-Paul Raynaud, manager of options for the Paris-based Boscher brokerage, who has just returned with 30 colleagues from a week-long tour of the CBOE. Some outsiders agree that the

Paris market could be a hit by European standards "I believe the French options market will be a huge success."

said Patric de Gentile-Williams. manager of the options department at James Capel & Co., a London broker, "Within 12 months, I think it could be as big as the U.K. exchange." 1978, now averages about 50,000

contracts a day. Volume at Amsterdam's European Options Exchange, also created in 1978, recently has averaged around 40,000 contracts a day. An option is a contract, pur-

chased for a premium, that af- finding their feet," said Steve Pefords its owner the right to buy a senti, an options dealer with Philblock of shares of a stock at a specified price during a specified

their portfolio investments as ers contributed to the market's reason," said Mr. Pinart.

well as to speculate. The Paris options market will

15 or 20 stocks next year.

The initial six are: Elf-Aqui-

slow growth.
The lack of expertise could be begin with contracts based on six a problem for the French, espe-

Paris Options Market Has Big Potential

But as Opening Approaches, Inexperienced Brokers Scramble for Expertise

stocks, but may be expanded to cially their lack of market-making experience," Mr. Pesenti said. Options buyers and sellers oftaine, oil and chemicals; Lafarge ten depend on market makers, or Coppee, building materials; floor specialists, to take positions Compagnie Financière Paribas, in the contracts in order to estab-

The people I use I will train myself. They will know what they are doing from day one. As for the others, I'll be delighted if they don't know what they're doing.'

an investment bank that was re- lish prices and provide liquidity.

- Patric de Gentile-Williams, manager of options at James Capel & Co., London

cently denationalized; Peugeot SA. autos: Thomson-CSF, electronics, and Compagnie du Midi, diversified investments.

Also anticipated early next year is the debut of an options contract based on a new index of 40 continuously traded French stocks. Brokers predict that this index option will bring many new

players into the market But it is debatable whether the market will be an immediate success for the Paris Bourse.

Some brokers suggest that, London's market, created in while an options market is in demand by institutional investors seeking to cover their exposures in French equities, the lack of experience on the part of Paris brokers could retard the market's

"They may have a problem lips & Drew in London.

He noted that when stock opperiod. An options market pro- tions were introduced in London brokers, and my colleague just

Jean-Pierre Pinart, co-manager of a newly created options department at the Paris brokerage Ferri-Ferri-Germe. acknowledged that "market-making is a new term in France."

"It's true that the majority of people in Paris are not experienced in this market," he said. 'We have a lot to learn."

But Mr. Raynaud said, "Anyone is capable of teaching him-self. We'll get experience rapidly and build on our mistakes.

To get market experience, Paris brokers have carried out international exchanges in recent months. As well as Chicago, they have visited options markets in New York, London, Montreal and Amsterdam, while options specialists from these markets have been hired as consultants to help the Paris brokers establish opiions departments.

"I spent a few weeks in Montreal with 10 or 12 other Paris

basis points thereafter. To assuage

bankers' concern about the health

of the company, the governmen

has issued a letter of support indi-

cating it will assume responsibility

CNP is paying more than the

government itself, which last paid a

split 10-to-121/1 basis points over

Libor.

for all of the company's debts.

vides a tool for investors to cover in 1978, the inexperience of trad- went to the States for the same

Page 13

"The 12 biggest brokers have all sent their people abroad." he said. "We are ready for this mar-

Foreign brokers expecting to do business on the Paris options market are making sure their French counterparts, who will ex-

ecute the trades on their behalf, will be up to speed. "The people I use I will train myself," said Mr. de Gentile-Williams. He declined to name the

Paris broker his company is working with. They will know what they are doing from day one." he said. "As for the others. I'll be delighted if

they don't know what they're do-Mr. de Gentile-Williams anticipated doing "a substantial amount of business" for his British clients on the Paris market. He predicted that international

About one fourth of the capitalization of the Paris Bourse is held by non-French investors. Brokers acknowledge they will

interest would be "enormous."

have a selling job ahead of them to attract their individual clients to the options market.

"The banks and institutions are very optimistic about this market, but they will mostly be options sellers," Mr. Pinart said. We have to find some option

buvers." The target market will be individual investors with substantial

We're not interested in the guy who just got into the market by buying a few shares of a denationalized company," one broker

The Paris options market is being organized in a similar (ashion to the U.S. markets. Contracts will be written only in units of 100 shares, with contract lengths

Japanese Banks Open Tap Programs

francs the only foreign banks eligi-

ble to join the syndicate are those

This limits the participation by

Japanese banks to no more than

three. However, participation in

the tender panels bidding for short-

term paper denominated in curren-

Hachette will pay an annual fa-

cility fee of 7½ basis points. To draw on the credit, the company will pay 10 basis points over Libor

for dollars or other foreign curren-

cies or 20 basis points over the

Paris interbank rate for drawings in

francs. If more than ball the credit

is drawn, there will be an added fee

Front-end fees paid to under

writers range up to 7 basis points

In the syndicated credit sector.

CNP, Portugal's state-owned pet-

Interest on the current transact

cies other than francs would be

open to any banks.

of five basis points.

that have operations in France.

By Carl Gewirtz

International Herald Tribuni coupled with political worries over Corp. and Fuji Bank last week be-[Prime Minister Yasuhiro] Naka- came the first Japanese banks to sone's succession and the delayed arrange multitranche tap programs Both have appointed Merrill

Lynch to arrange programs of \$500 Companies outside Japan were million each, or the equivalent in Under the programs, the banks

INTERNATIONAL CREDIT

Goodman Fielder, an Australian traditional bank-issued CDs, these

paper at narrow bid-offered lower interest and setting a new spreads, ranging from five basis eight-year maturity. Interest on the incorporated in Bermuda last year points, or .05 percent, on one-year existing debt ranged from %-to-%

is announced beforehand. Subsemillion and would be fully fungible The company is using preference with other CDs of that maturity. Reed International has appoint-

multioption facility. The company The shareholders of MBIA Inc., will pay an annual facility fee of 614 which insures municipal bonds, are basis points for the amount immeselling 15 percent of their holdings. diately available. The facility fee on or 5.5 million shares of which I the reserve amount is 312 basis million are being offered interna-tionally. The offering price is ex-44 basis points for the final two

Drawings on the credit will cost In the straight bond market, Reed 10 basis points over the Lonwhich by week's end had largely don interbank offered rate and an recovered from selloff provoked by additional 2½ basis points will be the announced resignation of Federal Reserve Board Chairman Paul amount is drawn.

Treasury Bonds

			J	une .		
1	Clo	se	Wkago			
Mahurity	Bid	Ask	Yield	yield		
31,3.89	100 23/32	100 2:22	7.65	7.67		
75.2.90	99 ;9/22	99 31-32	7.91	7.92		
31.3.91	95 27 22	95 29-22		8.04		
15.5.92		100 17 32		8.16		
15.4.94	93 1/32	63 7'35	8.25	8.33		
15,11,96	100 132	100 120	8.49	8.47		
15 2.06	105 18:22		8.76	B.74		
15.11.16	101	101 7 %	8.65	8.64		
Source.	Salomon I	ne				

NOTICE OF PURCHASE **BOWATER** INDUSTRIES PLC 914% Bonds due 15th May 1992

NOTICE IS HEREBY GIVEN to bondholders that US \$2,000,000 nominal amount of the above issue was purchased in the market in the period prior to 15th May 1987 and applied in respect of the seventh mandatory redemption instalment payable on that date.

Bowater Industries ald **Bowater House** Knightsbridge London SW1X 7NN

SELECTED U.S.A./O.T.C. QUOTATIONS tion is set at 12% basis points over Libor for the first four years and 15

Bitter Corp 1% 114 Chiron 2914 3014 GoodWark Foods 13% 141/4 MAG Holdings 14 314 NAV AIR 314 314 43% 44

WITH COMPLIMENTS OF CONTINENTAL AMERICAN here are indicative priors at of June 4, 1967

Scientific-Atlanta, Inc. Innovative Products and Systems For. ..

Satellite Communications Cable Television Test Instrumentation-Telecommunications, Microwave, Vibration Telemetry and Tracking Low Frequency Signal Analysis

Scientific-Atlanta, P.O. Box 105027, Dept. AR, Atlanta, GA 30348. Scientific Atlanta

DREYFUS INTERCONTINENTAL INVESTMENT FUND N.V.

DECLARATION OF DIVIDEND

At the Annual General Meeting of the Dreyfus Intercontinental Investment Fund N.V., held in Curação on May 14, 1987, the Stockholders of the Fund, acting upon the recommendation of the Fund's Board of Directors, declared a dividend of U.S. \$0.12 per share to Stockholders of record on May 29, 1987. The dividend is payable on June 9. 1987 to holders of bearer shares upon surrender of Dividend coupon No. 17 as attached to the share certificate, to one of the offices of the paying agents listed below. The distribution is being made from not Investment

> DEUTSCHE BANK AG, Grosse Gallusstrasse 10-14, 6000 Frankfurt/Main, West Germany. MORGAN GRENFELL & CO. LIMITED, 23 Great Winchester Street London E.C.2P, 2A.X. England. **BANQUE INTERNATIONALE** à LUXEMBOURG 2 Boulevard Royal, Luxembourg-Ville, Luxembourg. ROYWEST TRUST CORPORATION (BAHAMAS) LIMITED P.O. Box No. 7788.

Dividends payable on shares held in a Dreyfus Intercontinental Voluntary Account will either be paid directly to the account holder or automatically reinvested, depending upon the election made by the Account holder when his Account was established.

Reports are avuilable at the Offices of the above-mentioned paying agents or at:

DREYFUS GmbH Maximilianstrasse 24, 8000 München 22, Germany.

Nassau,

Bahamas.

The European Corporate Electronic Publishing Conference & Extilination. See us at source **多好好好**

Mutual

Crowner Function of the control of t

12.00	N.L.
12.01	N.L.
12.02	N.L.
12.03	N.L.
12.04	N.L.
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BANKS: U.S. Treasury Aides, Responding to Global Competition, Seek to Encourage Growth of Giant Banks

(Continued from Page 1) fear they would be put out of busi-

Thirty years ago the United States had 15 of the world's largest banking institutions, but global dominance by American banks has because Paul A. Volcker, the curslipped dramatically. Only two U.S. banking companies, Citicorp firmly opposed any move that and BankAmerica, are now ranked would begin to beeak down the barriers that prohibit large non-14, including the world's four larg. banking companies from owning est banks. Two German, three Brit-banks. Mr. Volcker has also been ish and four French banks com-

plete the list. "If we are going to be competitive in a globalized financial ser- securities by banks. vices world, we are going to have to change cur views on the size of

capital to be competitive." of large financial institutions en- States, counters deep-seated sentiments republic. But he thinks the nomina- major regulators will be speaking

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met frustration in its efforts to lessen regulation of banking, largely rent Federal Reserve chairman, has rather grudging in his support of changes that would allow interstate banking and the underwriting of

Mr. Volcker has strong ties to prominent legislators, particularly American institutions," Mr. Gould Senator William Proxmire, the said. People are going to have to disconsin Democrat who is chair-business. For example, all the accept that some big American fi-man of the Senate Banking Combanks in major financial centers generally to take greater risks to maintain profits, according to nancial institutions will need more mittee. Mr. Proxmire believes that have set up securities operations maintain profits, according to a decentralized system with 14,000 overseas. Mr. Gould acknowledged that commercial banks helps assure Large nonbanking concerns, any policy promoting the creation competitiveness within the United such as Sears, Roebuck & Co., are

that many of the laws restricting man, chairman of the Federal De- of their assets. It also is an attempt fallen 30 percent since 1981.

said "the separation of commerce and banking at this stage is simply not helpful" because it cuts off one Manh important source of new capital. eign banks are more than twice as He added that the declining profits profitable in their lending operaof the leading American banks had hampered their ability to raise capital in stock offerings. That leaves large injections of funds: the indus-

trial sector of the economy. compelling the banks to try to ex-ploit loopholes in the regulations that keep them out of the securities 36 percent to 31 percent.

lates.

also testing the current limits by worry. "I'm afraid that if the structhat date to the founding of the republic. But he thinks the nomina-

with a nearly unified voice. Both comes in response to a significant vide an important stimulus for change. Mr. Greenspan contends that many of the laws restriction of the laws restriction of the laws restriction.

commercial banks severely limit their ability to adapt to a changing marketplace.

The Reagan administration has posit Insurance Corp., support in the disadvantages they face in competing with foreign institutions that operate in a less-regulated environ-

According to a study by the First Manhattan Consulting Group, fortions than the largest U.S. banks.

Moreover, the consulting concern says that commercial banks them only one practical source for have lost considerable market share in both corporate and consumer loans. From 1981 through Mr. Greenspan and banking experts note that market forces are 44 percent, while its share of outstanding corporate debt fell from

> James M. McCormick, president of First Manhattan Consulting.

For regulators, that trend is a banks will become institutions that nobody particularly will need to do

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come only after long debate or after not replace small local institutions. a significant threat to the financial system forces Congress to re-exam-

ine the bank regulatory structure. Mr. Gould contends that a more competitive U.S. banking system

Nissho Iwai Halts Vietnam Trade

Agence Francis Prom

TOKYO — Nissho Iwai Corp. a very the first private company from an States." industrial democracy to set up an office in Hanoi, has reportedly suspended its trade with Vietnam after a protest from the Association of Southeast Asian Nations.

Nissho Iwai, a Japanese trading company, decided Friday to call home its representative in Hanoi. withdraw from Cambodia.

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Mr. Gould admits that changes would lower the price of bank ser-in Glass-Steagall and the Bank vices to consumers. He and bankers Holding Company Act are likely to also maintain that superbanks will

The growth strategy pursued in recent years by Chemical New York Corp., the fourth-largest American banking institution, em-braces some of the concepts in the Treasury plan.

"Looking 10 years down the road," said Richard S. Simmons. vice chairman of Chemical, "there are going to be very few world-class bank players, and to be one of them, you are going to have to have a very large base in the United

The Chemical executive predicts that by the mid-1990s there will be five major United States banks with assets of about \$500 billion each. Assets of Cittoorp, the nation's largest bank, now total \$193

Asshi Shimbun reported. In April, assaid. Shimbun reported in April, assaid. This shard to grapple with the ASEAN, which groups Brunei. In concept of a very big bank," he concept of a very big bank, he concept of a ve Singapore and Thailand, said Nis-realize that financing is being con-sho Iwai's presence undermined trolled by a cartel of foreign banks, ASEAN's efforts to have Vietnam the American people are going to he very unhappy.

U.S. Dollar Will Resume Its Decline Over Long Term, Dealers Predict

Compiled by Our Staff From Dispatches

TOKYO - The U.S. dollar may keep its value against other major currencies over the next few months but it is likely to fall again in the longer term, according to several senior currency traders,

They spoke here Saturday at a news conference that followed this year's meeting of the Foreign Exchange Dealers Association. The honeymoon period may last for a few months," said David

Cronin, secretary-general of the association.

After that the dollar could be in for a period of decline if the United States fails to take action to change its economic policy, said Mr.

Cronin, who is head of treasury at Allied Irish Bank. He said that he hoped the Venice summit meeting, beginning Monday, would announce action to improve the world economic situation. "If that is the case." he said, "the dollar will strengthen in the short term." But investors would re-examine the situation in a few

months, he added. "Watch the Japanese investors," Mr. Cronin said. The last sustained weakness in the dollar, analysts recalled, was

provoked by reduced Japanese dollar investments. Hans-Jens Trelde, president of the association, said it was generally felt that the dollar would stabilize around prevailing rates of 140 to

146 yen for the time being.
"But I am still somewhat pessimistic about how long this will last." said Mr. Trelde, a member of the managing board of Bankhaus Hermann Lampe of West Germany. He said the dollar may fall further towards the end of this year or the beginning of next.

"In the short term, the dollar could appreciate slightly," said Peter Mack, foreign exchange manager at the London-based European Brazilian Bank, But he added: "I'm looking for a lower dollar in time. I'm looking for less than 140 yen."

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

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O New York Times, edited by Eugene Maleska

I'M NOT LETTING IN ANY FLIES, MOM ... JUST ANTS.

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SPORTS BRIEFS

2 Women's World Track Records Bettered

MOSCOW (Combinded Dispatches) — Natalia Lissovskaya of the Soviet Union broke her own world shot put record with a throw of 22.60 meters (73 feet 7 inches) at a track meet here Sunday. Lissovskaya, 24, set the record of 22.53 meters in the

Black Sea resort of Sochi on May 27, 1984.

On Saturday, in Baton Rouge, Louisiana, Sheila Hudson set a world record of 13.78 meters in the women's triple jump at the U.S. college outdoor track and field championships. Her effort surpassed the 13.73 set last month by Flora Hyacinth of the U.S. Virgin Islands.

Yoo Retains WBA Junior Flyweight Crown

SEOUL (AP) — South Korean Yoo Myong-woo stopped Benedicto Murillo of Panama in the 15th round Sunday to retain his World Boxing Association junior

The fight ended at 1:29 of the final round when Yoo had Murillo helpless against the ropes. It was the 24th victory against no defeats and one draw for the 22-year-old Yoo, who won the crown in December 1985, Murillo, 27, is 12-3-3.

Kite Has 1-Shot Lead in Kemper Open Golf

POTOMAC, Maryland (UPI) - Tom Kite, seeking his first victory of 1987. survived three straight bogeys on the back nine to take a one-stroke lead over Chris Perry after Saturday's third round of the Kemper Open golf tournament.

Kite, who has won at least once in each of the previous six years, shot a 68 for a

54-hole total of 12-under-par 201. Perry, the son of former major league baseball pitcher Jim Perry, led Kite by one stroke after two rounds but on Saturday shot 70/202. Perry. 25. has never won on the PGA tour.

George Burns (a 68) was at 204; first-round leaders Greg Norman (68) and Scott Hoch (72) were at 205, with Dave Barr, Larry Mize and Howard Twitty at 206.



Quotable

• Chi Chi Rodriguez, leading money the first Derby and Preakness run-winner on the seniors golf tour. "If I'd putted like this years ago, I'd own a jet Arts and Letters in 1969. nstead of a Tovota."

• Former umpire Ron Luciano, on why he preferred to work the bases: "I couldn't tell the pitches. I didn't know the difference between a slider and a curve. I knew a fastball because it came (LAT)

Bet Twice Wins Belmont as Alysheba Finishes 4th

By Steven Crist New York Times Service

SPORTS

ELMONT, New York - Bet Twice, a narrow runner-up in the Kentucky Derby and the Preakness, reversed those losses with a vengeance in Seturday's 119th running of the Belmont Stakes to deprive Alysheba of racing's Triple Crown.

Under Craig Perret. Bet Twice took the lead before traveling a mile (1.600 meters) and stretched it into a 14-length runaway over Cryptoclearance, with Gulch finishing a nose back in third place. Alysheba, who had won the Derby by three-quarters of a length and the Preakness by half a length over Bet Twice, finished fourth as the 4to-5 favorite, missing a \$5 million payday by a huge margin and a \$1

million bonus by inches. Alysheba, who would have earned purses and bonuses totaling \$5 million had he become the first Triple Crown winner since Affirmed in 1978, was steadied in traffic turning for home, but the incident was minor and did not affect his chances of victory.

Croll and the 8-to-1 fifth choice, covered the mile and a half in 2:28-1/5. The son of the Nijinsky II stallion Sportin' Life and the Dusty Canyon mare Golden Dust became the first Derby and Preakness runner-up to win the Belmont since Arts and Letters in 1969.

Bet Twice may have improved a perret. "He obviously wasn't, for though the leader was pulling away whatever reason. He beat us fair from the field.

Alysheba made a mild bid on the part of the pa

the series with 11 points toward the bonus. which is figured on a 5-3-1 point system for the first three finishers in each race. Had Alysheba to throat surgery performed in the first way of the clubhouse turn, Avies settled back into second.

Perret made his move after Avies ishers in each race. Had Alysheba to throat surgery performed in Perret made his move after Avies the winner," Van Berg said. "If one (who earned 10 points winning the first two legs) finished second, he Alysheba finished first in three of in 1:13-2/5. Bet Twice surged to racing. This is a sport, and you've

Bet Twice, trained by Jimmy Craig Perret, aboard Bet Twice, glancing back at the top of the stretch in the Belmont Stakes.

may have been a factor. Alysheba

would have won the bonus; had he four career starts with Lasix but the lead as Avies Copy and Gone got to be a sport when you lose."

Gone West, breaking from post astead of a Toyota."

(L47)

Moses Malone of the Washington also narrowly won the inaugural medication that is widely believed was just 14 lengths behind him Bullets, on whether, when he retires, he would have a farewell tour like that of Julius Erving: "Naw, I'm going to retire by telephone and ask them to mail in the wife."

Bullets, on whether, when he retires, he would have a farewell tour like that of Julius Erving: "Naw, I'm going to retire by telephone and ask them to mail in the wife."

So to, our betmont purse, and also narrowly won the inaugural to improve overall performance. Lasix is not permitted in New than \$2.3 million. Bet Twice ended York.

been third he would have earned 11 lost eight of nine starts without it. West offered no resistance and be-points and split the \$1 million with "We were hoping Alysheba gan to fade. Alysheba began to wouldn't be at his best today," said move up a bit on the inside, al-Alysheba made a mild bid on the

turn but soon ran into traffic as a tiring Gone West blocked him on the inside and Cryptoclearance rushed up on the outside. Alysheba checked briefly as he ran up on Gone West's heels, losing some momentum, but the race was long lost.

"It might have cost us second money, but we weren't going to beat Perret made his move after Avies the winner," Van Berg said. "If one

PEANUTS



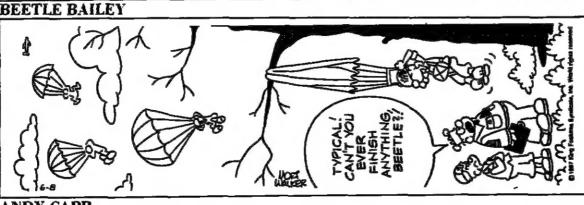


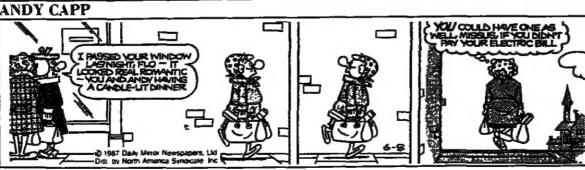




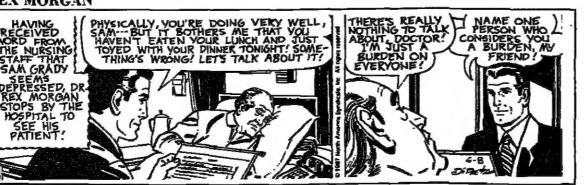


















WORLD STOCKS IN REVIEW / Via Agence France-Presse

Amsterdam

The Amsterdam stock exchange showed signs of improvement last week, but trading was quiet because of uncertainty over the economic climate, inflation and interest rates.

The ANP-CBS general index was unchanged on the week, at 287, with total turnover coming to 4.95 billion guilders, against 3.37 billion the previous week. Unilever and Royal Dutch/Shell shares

posted substantial gains on Monday, but lost ground Tuesday before leading modest railies on Wednesday and Thursday. Amsterdam stockbrokers Kempen & Co.

believe the market will be somewhat more active this week, with firmer prices.

Frankfurt

The Frankfurt stock market suffered from the dollar's vagaries last week, failing to add to the previous week's gains.

Investors were reserved, preferring to wait for the results of the Venice summit meeting of major non-Communist industrial countries.

The Commerzbank index lost 9.7 points on the week, to finish at 1,749.9.

Volume of trading came to 13.28 billion Deutsche marks, against 14.68 billion the pre-

Steel company Mannesmann, which posted poor results for financial 1986 and the first quarter of this year, lost 9.70 DM to 154.80. Siemens was unchanged at 699 DM and AEG lost 2 DM to end the week at 310.50.

Banks were unpopular, with Dresume on og 6 DM, Commerzbank by 7, and Deutsche Bank by 9.50.

Hong Kong
Enthusiastic buying of property stocks lifted the Hang Seng Index to three successive highs on the Hong Kong stock exchange last week.

The index closed the four-day week at an alltime high of 3,064.33 points, up 144.63 points

Many dealers said they expected the Hang Seng to peak at 3,100 points this week, then pause for consolidation. But some said the bull run would persist for the rest of June.

The main factor behind the week's buoyancy was a government land auction at which Hang Seng Bank paid a better-than-expected price of 340 million Hong Kong dollars (\$107.59 million) for a prime commercial site. The auction boosted property prices, which influence the leading market barometer strongly.

Milan

Trading was quiet on the Milan stock exchange last week, with volume down by 10.74 percent from the previous week. The Comit index inched up by 0.35 percent for the week.

An average of 18.3 million shares changed hands daily.

The week's most significant progress was

scored by Fiat, whose preferred shares rose by 1.33 percent, and savings shares 0.91 percent. Montedison's ordinary stock lost 2.68 per-cent in the five sessions. Olivetti was up by 1.66 percent, Mediobanca by 0.74 percent, and Assicurazioni Generali by the same.

London

Two record closes for the Financial Times 30-share index were reached early last week, with brokers confident of a Conservative victory in the June 11 general election, Shares retreated at midweek when polls

showed the Conservative lead diminishing, but a poli on Friday gave the governing party a 10-point lead and shares recovered well.

The Financial Times industrial share index

closed up 17.8 points on the week at 1,729.9.
Banks moved charply ahead on Brazil's apparent intention to pay up to half its loan interest. But gains were wiped out when the Brazilian Finance Ministry made it clear that interest would only be paid if further loans were approved. A confident mood returned by Unilever, which agreed to a £1.7 billion

(\$2.77 billion) sale of U.S.-based Stauffer Chemicals to ICI, was among firm leading industrials. But ICI moved back on the news.

Paris

Monetary and political factors combined last week to drive values down by more than 4 percent on the Paris Bourse. The CAC index fell to 413.4 from 431.8 the previous Friday. Share prices dropped sharply on Wednesday as financial circles feared that Alan Green-span, Paul A. Volcker's successor as chairman of the U.S. Federal Reserve Board, would not

make the fight against inflation a priority.

Trading was also unsettled by a feud between the French prime minister. Jacques Chirac, and his minister of culture, François Leotard, over the latter's political statements. Investors reportedly feared a political crisis that could force early elections.

Singapore
The Straits Tunes industrial index climbed
23.54 points last week to an all-time high of 1.243.71 on Friday. :-

The market was his by some profit-taking, but stocks were boosted by institutional buy-

Average daily turnover rose to 68.2 million, with an average daily value of 147 million Singapore dollars. Total turnover rose hymose than half to 341 million, while value moved up 51 percent to 735 million dollars. Tan Chong Motors climbed two positions to top the list of active stocks for the week with a

turnover of 17.1 million shares, followed by Intraco, with 12.6 million.

Tokyo

Tokyo share prices rose again last week, with the key market indicator, the Nikkei stock average, topping 25,000 year for the first time. The 225-blue chip average, ahead by 565,68 yen the week before, added another 498.91 yen to close at 25,271.30 yen on Friday.

Trading was brisk, with around 1.17 billion shares changing hands daily, against the previ-ous week's 1.02 billion shares. Daily turnover averaged 928.14 billion yen, compared with 1.04 trillion the previous week.

Institutional and corporate investors moved in Wednesday for domestic-linked shares such as housing and chemicals, pushing the Nikkei average to a record 25,049.40 yen.

A rebound by the dollar led to buying of export-linked issues on Thursday, and the Nikkei average closed up 316.71 yen at 25,366.11.

Profit-taking on Friday took the average down. Some dealers said the Nikkei average would continue to rise, possibly hitting 26,000 yen in July. But others warned that if the dollar resumed its downward trend against the yen after the Venice summit meeting, the stock market could be badly affected.

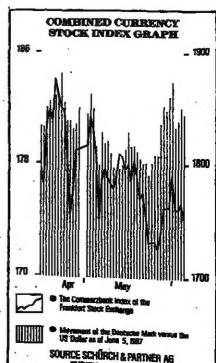
Zurich

Trading was irregular on the Zurich stock exchange last week, initially upset by the resignation of the chairman of the U.S. Federal Reserve Board, Paul A. Volcker, but later turning steady on reports that Alan Greenspan, Mr. Voicker's successor, intended to make no major changes in monetary policy.

The Credit Suisse index fell from 520.4 the previous Friday to close the week at 517.7, but analysts saw signs of recovery in the week

Banks were mixed. Union Bank of Switzer-land fell 130 Swiss francs to 4,480, while Swiss Bank Corp. gained 4 francs to reach 428.

Finance companies generally lost ground. Electrowatt was down 110 to 3,425, aithough an exception to the trend was Motor Columbus, which advanced 110 francs to 1,530.



ZURICH - AMSTERDAM

SCOREB!

anf Bert

Lendl Beats Wilander to Keep Crown

Mais Wilander of Sweden, 7-5, 6-2, 3-6, 7-6, Lendl, who showed his mettle at vital him a second chance. This time he made no mistake average array a deep backhand vol-

the title for the third time. He won last year grand slam titles I've won." and in 1984, but lost to Wilander in 1985. It was the fifth grand slam success for the 27-year-old Czechoslovak, the world's No. 1 player, who has also won the U.S. Open

The match was interrupted by rain in the hiddle of the fourth set with Lead leading, 3-2. When play resumed under gray skies 35 minutes later. Wilander won the first six points—holding serve for 3-3 and moving to love-30 on Lendl's service.

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But Lendl recovered his concentration, in his first two service games, while Wilander twice had to rally from 0-30 to hold. hitting three winners and rallying to hold for 4-3. Both men then held at love, and Wilander twice had to serve to save the match. first at 4-5 and then at 5-6; he succeeded, sending the set into a tie breaker.

the first four points in style, but then let the broke for a 5-3 lead with a backhand pass Swede back in with two sloppy errors. Yet a down the line that brought the biggest cheer superb, stretching backhand passing shot of the match. The Swede drew within 1-2 on down the line took Lends to >-4, and in moved to 6-2 — and four match points — long.

Lends had taken a two-set lead — the first the longest of the twodown the line took Lendl to 5-2, and he his first set point, when Lendl hit a backhand but then was long with a forehand.

Wilander, who was also going for his third
French title after winning in 1982 and 1985,
had come into the tournament as the No. 4
Wilander on the defensive.

After dropping the opening t

PARIS — Ivan Lendl of Czechoślovakia — including his straight-sets victories over retained his men's singles title at the French . Yannick Noah and Boris Becker in the quarpoint, Lendl hit a backhand barely wide but

mais witander of Sweden, 7-5, 6-2, 3-6, 7-6, "Lendl, who showed his mettle at vital in a match that finished in rain and semi-darkness.

Lendl, appearing in his fourth successive final, took 4 hours and 17 minutes to clinch "I think, overall, this is the hardest of the five the title for the third time. He way last year tough matches in this tournament," he said. "I think, overall, this is the hardest of the five slugged out rallies from the baseline, only the title for the third time. He way last year states in this tournament."

FRENCH OPEN TENNIS

The final was marked by long baseline rallies but improved in quality as the rain threatened to cause a postponement. Lendi dominated during for the first two sets, serving well and hitting deeper groundstrokes.

He continued to hold easily at the start of the third, and looked as if he might finish the match in straight sets. He lost only one point

In the set's fifth game, Lendl had a clear shot at breaking for 3-2 but, netting two break-point volleyes, missed his chance; Wicross-court volleyes, and a first-service winner
lander held, and Lendl remained a game
helped him to two set points. He won with a With rain falling again, Lendi ripped off behind. Each beld serve before Wilander

long, thinking the serve had been out. The Swede saved one match point with a smash, week tournament, and the second in 39 minutes as he stepped up the pace and had

After dropping the opening set, Wilander went ahead by 1-0 in the second but, hitting a seed and a strong favorite after taking claycourt titles in Monte Carlo and Rome in the
previous six weeks.

He had Lendl in trouble in the third set,
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rarely bringing to life a muted center court crowd of 16,000.

Wilander won the opening game at love on four errors. He then broke for a 2-0 on his third break point.

Lendl broke right back with a backhander down the line that Wilander netted. Both held serve before Lendl broke for a 4-3 lead. his deeper groundstrokes pinning Wilander back. But the Swede pulled back to 4-4 in the next game. Not until the end of the ninth game did Wilander come to the net, saving a break point with his first volley of the match and moving to 5-4.
Lendl held for 5-5 before again breaking

Wilander. Then a running forehand pass, a helped him to two set points. He won with a deep smash that landed just inside the base-

Lendl's triumph avenged the loss to Wi-lander here in 1985 and erased memories of five months earlier this year with just one tournament victory — a span during which he underwent arthroscopic knee surgery. After the match, Lendl sent a pointed essage to some of his colleagues.

"Many people said that I couldn't win that I wasn't fit, that I wasn't confident, that I didn't play hard, that I wasn't mentally tough," he said. "I am glad to prove them all

Becker, who beat Lendl for his second straight Wimbledon title last summer, said guts." Lendl said. "They'd save a lot of time after losing to Wilander in the semifinals if they just came to you."



Lendi said he had read Becker's comments

"Your read that - you don't hear it in the locker room, because they don't have the

Ivan Lendl, changing shirts during a more's manager, Cal Ripken Sr., soggy final at Roland Garros Stadium. here that Lendl was "not the strongest mentally, and the players know it." "yesterday morning, when he was already

Tigers 18, Red Sox 8: In Boston.

Blue Jays Nip Orioles in 9th

SUNDAY BASEBALL

TORONTO - Garth lorg singled in Rance Mulliniks from secand base with two outs in the bottom of the ninth inning to give the Toronto Blue Jays a 3-2 victory over Baltimore Sunday in the American League.

The victory was the Blue Jays' fifth straight. The Orioles have lost four straight and eight of their last

Mulliniks led off the ninth with a valk, the first issued by starter Mike Boddicker, and was sacrificed to second by Willie Upshaw. After Emie Whitt was walked intentionally. Rick Leach popped out, lorg followed with his gamewinning single to center field.

Reliever Mark Eichhorn got the victory to boost his record to 7-2. White hit a controversial two-run homer in the first. With one out, Upshaw singled and Whitt followed with a long, high drive that was curving toward the right-field foul pole.

With right fielder Jim Dwyer and the entire Orioles bullpen pointing foul, the first base umpire, Ken Kaiser, called the ball fair. Baltiargued the decision with Kaiser.

Cal Ripken Jr. led off the sixth with his 14th home run of the season, lifting Baltimore into a 2-2 tie. The Orioles had scored their first run in the fifth when Terry Kennedy opened with a single and Larry Sheets hit an RBI double.

Matt Nokes hit two homers and drove in four runs and Chet Lemon homered and drove in four, leading a 21-hit attack as Detroit routed the Red Sox. Tom Brookens also homered, and Nokes, Lemon, Bill

Whitaker had three hits apiece.

hitless for eight innings until Tim Raines led off the ninth with a double as the Phillies downed the Expos. Jackson, who finished with a two-hitter, struck out a careerhigh six and walked four.

Mets 5, Pirates 4: In New York, Lee Mazzilli's two-run double in Madlock. Darrell Evans and Lou the 10th, his 1,000th major-league hit, rallied the Mets past Pittsburgh Phillies 3, Expos 1: In the Na- in the first game of a double-headtional League, in Philadelphia, er. The Pirates have lost 14 straight rookie Mike Jackson held Montreal games at Shea Stadium.

Celtics Get Back Into Race In 109-103 Defeat of Lakers

BOSTON - The Boston Celtics. buoyed by their return home and the scoring of Larry Bird and Denget back into the race for their 17th nis Johnson, slowed the Los Ange-

NBA FINALS: GAME 3 les Lakers' fast-break attack and illed back into contention in the NBA championship series with a

109-103 victory Sunday. Bird scored 30 points and Johnson 26 as the Celtics, who have won 85 of their last 87 games at Boston Garden, cut their delicit in the best-of-seven National Basketball Association finals to 2-1.

The Lakers had two overwhelming victories at home in which they scored more than a 100 of their 267

points on fast-break baskets. But the Celtics slowed the Los Angeles running game enough to championship. Two more games are scheduled for Boston, on Tuesday and Thursday, before the series goes back to California, if needed.

The Lakers scored only six bas-

kets on fast breaks. The Celtics, who never led in the second half of the first two games, never trailed in the second half Sunday despite several Laker ral-

The Lakers' Earvin (Magic) Johnson, who led all scorers with 32 points, hit a three-point play with 3:03 left to make it 104-99 before Bird hit two free throws 11

Graf Beats Navratilova, Is Youngest Woman to Win French Title



Steffi Graf, the French Open champion at 17.

SATURDAY'S RESULTS

AMERICAN LEAGUE

Dison,3-5 HRs-Tor, Moore (1), Borffeld (14).

(11), Afherton (13) and Salas, Laudner, W-Atherton, 3-1, L-Williams, 3-3, HRs—Texas, McDowell (5); Min-nesota, Salas (3), 166w York 828 688 68—4

Hudson, Staddard (5), Righetti (6) and Cer-

By Roger M. Williams New York Times Service

PARIS - Seventeen-year-old nervousness and 30-year-old champions should be immune to it, but grand slam championship and established herself, at least for now, as the top player in women's tennis.

Graf overcame a 3-5 deficit in feat for Navratilova. She had lost defined Marting Nav.

In the experience of winning.

It was an unusually galling defeat for Navratilova. She had lost Against Navratilova's serve-and-feat for Navratilova. She had lost the chip, more than any other stroke, that won the match. grand slam championship and es-

the final set to defeat Martina Navratilova, 6-4, 4-6, 8-6. Navratilova won the tournament in 1982 and last three years.

Graf's victory owed a lot to her prove that she's still the best opponent's mistakes. Ahead by 5-4. There were few tactical subtle in the third set and serving for the in match played in a swirling wind.

challengers should be vulnerable to nerves withstood the pressures of the biggest match of her life.

"She never missed a shot when the reverse proved true in Saturday's she was down," Navratilova said women's final of the French Open. after the match. "In the final set she ing slice backhand that almost cost Steffi Graf of West Germany, who Stein Graf of West Germany, who will turn 18 this week, won her first game points." The suggestion was Sabatini, Graf stuck with her other will turn 18 this week, won her first that should not happen in a two backhand strokes: an overspin

three-set finals to Chris Evert the last two years and she entered this French Open without having won a 1984 and has been runner-up the tournament in 1987. She regarded Saturday's final as her chance to There were few tactical subtleties

match, Navratilova double-faulted. In the past two weeks, Navratilova She did it again at 6-7, and that had been regaining her confidence ones she aimed across court were gave Graf the match, making her in her attacking game. Even on this youngest woman ever to win slow surface she was determined to take the net at every opportunity.

But Graf played well enough to After a few tentative games she win on her own. Her backhand, generally considered a poor relation of behind her first serve, seldom play-

COLLEGE

sistent basketball cooch.
GEORGIA SOUTHWESTERN—Named

Glenn Duhon men's bookerboil cooch.

MURRAY STATE—Announced that Mike

Tennis

MEN'S SINGLES

Ivan Lendi (1), Czechoslovakia, def. Matr

Finei
Anders Jorryd, Sweden, end Robert Seguso.
U.S., def. Guy Forget and Yannick Nooh,
France, 67 (5-7), 6-7 (2-7), 6-3, 6-4, 6-2.

Martine Novrolliove and Pem Shriver, U.S. (1), del. Steff Grat, West Germany, and Ge-

Porn Shriver, U.S., and Emilio Sanchez, Spain, def, Lori McNeil and Sherwood Stew-

ini, Argentino (2), 6-2, 6-1, MIXED DOUBLES

en. 7-5, 6-2, 3-4, 7-6 (7-3).

her powerful forehand, withstood a ing a long point entirely from the relentless pounding from the net backcourt. As the match proceeded rushes of Navratilova. And her the outcome turned with increasing certainty on one question: Could Graf pass Navratilova often enough to win?

She did. Abandoning the sweepher the semifinal against Gabriela

volley game (and often against her approach shot-and-volley), Graf chipped her backhand low over the net. Sometimes, especially down the line, it sailed through for a clear winner; other times it caught Navratilova at the shoetops.

Graf had to hit accurate down the-line backhands because the was punching them away with her forehand volley. In the first set, a backhand at

Navratilova's feet got Graf a ser-vice break for 4-2. Three more backhand passing shots, including a cross-court beauty, brought her a second break and the set at 6-4. Graf's one truly bad game of the match — three netted forehands

and a floating backhand -cost her a service game and the second set. Navratilova closed out that set with a service winner and a love game conch, CDLUMBIA—Named Roger McCready as-With a third-set lead of 5-3 she

was just where an attacking player wants to be: serving for the match. But in both technique and tactics, Navratilova proceeded to lose her advantage. She double-faulted to 15-40 then charged the net behind a mediocre second serve that Graf drilled back at her feet. Graf went up 7-6 with a marvel-

ous reflex lob played off a strong Navratilova volley.
At 30-all in the 14th game, Navra-

tilova hurt herself for the last time when she netted a short ball that appeared to take a poor bounce. Her first serve at 30-40 was long.

As she started to toss for the second a boyish voice yelled "Allez, Martina!" She caught the ball, paused to regain concentration and promptly double-faulted for the match and the title. The winner was honest as well as

gracious. "I'm happy and sorry I won the match," said Graf. "I'm sorry for those double-faults. If she would not have double-faulted, I don't think I would have won."

The European Corporate Electronic Publishing Conference & Exmunition and us at small

Gooden and Seaver Return, Helping Met Staff to Reload

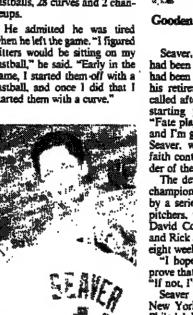
The Associated Press NEW YORK -- The New York Mets got a double dose of good news in the pitching de-

partment over the weekend Dwight Gooden returned to Shea Stadium Friday night, and on Saturday Tom Seaver, a three-time Cy Young Award winner, rejoined his old tearn.

Using a sharp-breaking curve to set up his fastball, Gooden won his first major-league start since cocaine rehabilitation. He gave up four hits in 6% innings in a 5-1 victory over Pittsburgh. "Last year, he was a one-pitch pitcher," said New York's manager, Dave Johnson.

Through a month's preparation in the minors before rejoining the team, Gooden worked on his curve ball. After having trouble controlling it in his first few outings, he began throwing it for strikes. He threw 121 pitches against the Pirates -91 fastballs, 28 curves and 2 chan-

when he left the game. "I figured hitters would be sitting on my fastball," he said. "Early in the game. I started them off with a fastball, and once I did that I started them with a curve."





Tom Seaver



Gooden during first outing.

Seaver, 42, a free agent who had been without a job, said he had been planning to announce his retirement when the Mets called after they had lost three starting pitchers to injuries. and I'm glad to be back," said Seaver, who signed "a goodfaith contract" for the remain-

der of the 1987 season. The defending World Series champions have been crippled by a series of injuries to their pitchers, with Bob Ojeda and David Cone lost for the year and Rick Aguilera sidelined for eight weeks.

"I hope in two weeks I can prove that I can pitch," he said.
"If not, I'm going to retire."
Seaver set June 20, when

New York is at home against Philadelphia, as the date for his first appearance. He has not pitched since last August, when a knee injury ended his season with the Boston Red Sox. He underwent arthroscopic surgery in October.

Seaver has a 311-205 lifetime record and holds several Met records, including 198 victories, 44 shutouts and 2,541 strikeouts. He last pitched for the Mets in 1983.

Power's On As Reds Beat Dodgers, 5-2 United Press Internations

CINCINNATI - Ted Power. who was with Los Angeles for six years, calls the Dodgers his "main adversary." Power surned in a three-hitter Saturday to lead the Cincinnati Reds to a 5-2 victory over the Dodgers.

"I want to prove something against them more than anyone. said Power, who was purchased from Los Angeles after the 1982

SATURDAY BASEBALL season, "Now, I don't feel that way about them as much, but the first

three years after I left them I couldn't wait to play them. Power struck out six and walked

one in his first complete game since May 2, 1983. His previous career low-hit game was a seven-hitter-in that same game.
"I felt like I was in control,"

Power said. "I never lost my composure. I was popping my fastball, keeping it away from them, and I located my slider well."

Said Pete Rose, the winning manager. "It seemed like he was getting stronger at the end. He's the kind of guy who doesn't want any help. Mets 4. Pirates 2: In New York,

Darryl Strawberry's first career pinch-hit home run, a two-run shot, broke a seventh-inning tie and lifted the Mets past Pittsburgh, Strawberry, scratched from the starting line-up because of a virus, batted for plicher Sid Fernandez.

Cubs 6, Cardinals 5: In Chicago, Keith Moreland drove in three runs with a homer, a double and a sacrifice fly to help the Cubs edge St.

Phillies 4, Expos 3: In Philadelphia, Rick Schu's two-out, two-run single capped a three-run first, and Shane Rawley posted his sixth straight victory as the Phillies shaded Montreal. Padres 5, Braves 3: In Atlanta,

Randy Ready's two RBIs led San Diego past the Braves. The Padres. with the worst record in the majors this season, equaled their seasonhigh winning streak - two, accomplished three other times.

Giants 4, Astros 3: In Houston Candy Maldonado scored Chris Speier from third base with a twoout infield single in the 12th to lift San Francisco over the Astros. Winner Keith Comstock pitched three hitless innings for first majorleague decision. Brewers 7, Yankees 6: In the

American League, in Milwaukee, B.J. Surhoff scored Cecil Cooper from third on a bunt single with two out in the ninth to ease the Brewers past New York. Tigers 5, Red Sox 3: In Boston.

Mike Heath's two-run single in the 14th lifted Detroit to victory in the longest game of the year -4 hours, 51 minutes - for both teams.

Blue Jays 8, Orioles 5: In Toronto, Jesse Barfield's three-run homer with two out in the 11th made the Blue Jays winners over Baltimore. Twins 3, Rangers 2: In Minne-

apolis, Steve Lombardozzi scored Tom Brunansky from first base with two out in the 13th, putting Minnesota past Texas. The Twins' Mark Salas, whose trade to the New York Yankees for knuckleballer Joe Niekro was effective at the end of the game, had tied the score in the ninth with a pinch-hit home run.

Royals 5, Mariners 2: In Seattle, Charlie Leibrandt yielded six hits in 84 innings and Steve Balboni equaled his career-high five RBIs, pacing Kansas City over the Mari-

Athletics 6, Indians 4: In Oakland, California, Ron Cey's three hits, including a game-winning homer, sparked the Athletics over Cleveland. Dennis Eckersley pitched six perfect innings in relief of Moose Haas for the victory.

Angels 2, White Sox 1: In Ana-heim, California, Ruppert Jones won the game with a 10th-inning

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ron (8); California, Howell (11).

Swindell and Bonde; Haas, Eckersley (4) and Tettleton. W—Eckersley, 4-4. L—Swindell, 3-6. H/82—Cleveland, Carter (13). Oelland, Carcer (13). Oelland, Hennermon (13). Hernandez (3). King (9) and Notes, Heath (12). Clemens, Schlroidf (18). Samblio (12). Granher (12) and Gedman, Sallivan (10). W—Kins, 3-4. L—Gardner, 9-0. HR—Boston, Boogs (10). Texas (18) and the second of the sec

Minnesola 98 and Pena; Sanderson, Noles (8), L. Smith (9) and J. Dovis.

News, J. L. L. Sanderson, J. 2.

Namesola 98 108 80 108 112 and Hough, Moharcia (10), Williams (12) and Stought, Petralii; Viola, Frazier (8), Reardon (11), Afherton (13) and Sales (12), Reardon (13), Afherton (13) and Sales (13), Reardon (13), Afherton (13), Reardon (13), 204, L—Sonderson, 3-2. 201 800 800 — 1 6 2 200 601 30x — 5 7 6 (ley (7), D. Johnson (8) and Lo-den, Orusco (7) and Carter, W— —Dunne, 0-1. Gooden, 1-0. L.—Dunna, 0-1. Los Angeles 253 148 405 — 4 *2 8 Cisciacoti 98 601 405 — 3 *2 8 Honevcuri, Howell (6). Leary (7), Hofton (8) 3nd Trevine; Guilloison. F. Williams (3), Hoffman (6), Aurepty (8), France (9) and Dioz. W.—Hoffman, 4-1, L.—Howell, 2-2, HRs—

Major League Standings

Hudson, Stoddord (5), Rishetti (8) and Corone; Wegmon, Piesoc (8) and Surforf. W—Piesoc, 1-8. L.—Rishetti, 4-2. HR3.—N.Y., Kittie (4), Winfleid (13); Mil., Molifor (4).
Kossass City 988 622 686 — 5 9 1
Seattle 101 686 — 2 6 8
Leibranat, Gulsenberry (9) and Oulrik; Bonkhead, Reed (7), Nunez (9) and Volle, W—Leibranat, 7-4, 1.—Bankhead, 6-4. HR3—Kan-Kan-Ras City, Balbori (9); Seattle, P. Bradley (3), NAY1ONAL LEAGUE
Pittsburgh 989 118 686 — 2 5 1
New York 286 886 286— 4 7 6
Drobet, Robinson (3) and Ortiz; Fernandez, ARDowell (8) and Carlor, W—Fernandez, AMERICAN LEAGUE

Henry Catta from Columbus of the Internaflored Lacque.
TEXAS—Acquired pitcher Dove Povies

TORONTO—Signed free-asent catcher Chartle Moore, Sent catcher Jeff DeWillis to Knoxville of the Southern League. Mattenal Leaves

CHICAGO—Purchased the contract of plicher Bryan Clark from Howall of the Pacific Coast League. Optioned pitcher Jeel McKeen to Howell. CINCINNATI—Signed five college draft choloes; first baseman Eusene Janes, pitch-ers William Riskey and Steven Storms, and printinger. Clark Stepp, and South Selber.

FOOTBALL

World Cup Rugby

(At Christchurch, New Zepland) Zealand — Tries: Alah Whetton, John pher. Conversions: Grant Fox 2. Penalty - Penalty soal; Gavin H

FRANCE 31, FIJI 16 (At Aukland, New Zooland)
France — Tries: Alain Larleux, Laureni riguez 2 Patrice Lagisbust, Co

AUSTRALIA 32, IRELAND 15

Transition ALARAMA STATE

European Soccer

WEST GERMAN FIRST DIVISION

infielders Gary Steam and Scott Selfner. HOUSTON—Called up pitcher Ron Matthi

to, Murphy (16).
Son Francisco
300 900 901 — 4 10 0
Houston
60 101 801 900 - 3 101
Downs. Robinson (4), Germits (8), Comstock (10) and Melvin: Deskales, Dorwin (7).
Smith (9), Andersen (11) and Ashby, Balley.
W—Comstock, 1-0. L—Andersen, 4-3. HR—Son
Francisco. C. Dolvis (7).

Toulouse 1, Lens 0
Monacco 2, Marseille 0
Points: Serdeaux (champsion) S3; Marseille 14; Toulouse 48; Auxerre 47; Monacco 45: Metz
49; Parts S1, Germain 41; Brest 40; Laval 32; Lens, Nice 37; Northes, Rocking Cub Parts 36; Life, Toulon 34: Soigh-Ellente 30; Le Havre
32: Socheux 31: Northe 29: Rennes 17

BASEBALL

French Open

HOCKEY
National Hockey Leases
DETROIT—Staned Thomas Bluhr, right
wins, and Kris Kins, left wins, to inves-vear
confrocts.
NEWJERSEY—Announced the retirement
of Peter Alchob, center, Acquired Shone
Dayle, left wins, from Vancouver for a 12thround selection in the 1987 amoteur draft.
Signed Murray Bramwell, detensemen, to a
three-vear confroct.

Quarterfinals NEW ZEALAND 30, SCOTLAND 3

folflirps - New Zealand, 9-3

Australia 3, IRELAND 15
(AI Sydaey)
Austrolia — Tries: Andv McIntyre, Brion
Smith, Matthew Burke 2, Conversions: Michoel Lynoph 4, Peoptry pools: Lynoph 3,
Ireland — Tries: Huso Macnelli, Michael Kleman, Conversions: Kleman 2. Penalty



France, Australia, N. Zealand in Rugby Cup Semfinals Philippe Sella came down second-best after a midair collision with Fiji's Jone Kubu (white shirt), but France won Sunday's World Cup rugby match, 31-16, and advanced to the semifinals against Australia. In the other semi, New Zealand will meet the survivor of Monday's England-Wales game. By Cynthia Guttman

PARIS — As a child Howard Buten wondered whether clowns were born with white skins and red noses. He soon discovered that they weren't and became one himself. But that was only his first career. As a clown, he made children laugh; as a psychologist, he came to focus on children who did not laugh, specifically on the autistic.

Rejecting conventional institutional psychiatry, with doctors trained to make children conform to rigid patterns, he became passionately involved in the care of autistic children.

The clown, psychologist and writer knew that communicating was not always done with words. His work has won acclaim in France where he has just published his third novel. "Monsieur Butterfly" (Editions du Seuil).

It started one day in Detroit, Buten's home town, when his writing was only being met with rejection letters, and a love affair hadfizzled, "I took the Yellow Pages, opened them to 'R' for Retarded and went along to the local mental institution and offered myself as a volunteer, I fell in love with the kids. I spent all ten's move to Paris. "Once a first my time there, and then, after a novel flops in the U.S., they don't year and a half, they let me try out some of my own ideas."

That was in 1974, Then came the publication of his first novel. in 1981, "Burt," (Holt Rinehart and Winston), a poignant story of and pursuing his research on auan 8-year-old boy's love for a classmate and his fantasies while confined in the "Children's Trust Residence Center." where he refuses to respond to therapy. The same characters appear in his second novel. "Le Coeur sous le rouleau compresseur" (1984), which will he adapted for the stage and performed by the Comedie Francaise next January.

The tone of his books is admirably preserved in Jean-Pierre Carasso's translations, but his work has met with little recognition in the United States, "I put it down to marketing and bad luck," he said. Then his agent looked abroad and a French publisher. Seuil. bet on the book's success. Published here in 1981



or one of the state of

Buffo and his alter ego Harold Buten.

under the title "Quand j'avais cinq ans, je m'ai tué" (When I Was Five I Killed Myself), the novel has sold about 750,000 copies. The success prompted Buwant to hear about any others." Somewhat bitter about his exile, Buten, 36, has spent the last four years balancing his careers of writer, actor and pyschologist. Arriving in Paris with an unfinished doctoral thesis in psycholo-

gy (later completed through UCLA). Buten was accompanied both." He opted to stay on home ground and gradually immersed himself in the study of Grock. a by Buffo, the clown whose act Buten had performed with ac-Swiss clown who marked Europeclaim in clubs, bars and theaters across the United States since 1974, "As soon as I'd finished my Ph.D. I opened up my trunk. put on my makeup and started up Buffo again." Buffo can't speak but can play the trumpet, the cello, the violin, the drums and the piano, can dance to tango, waltzes and Michael Jackson disco. and can captivate an audience in an

hourlong act of blunders and He appears on stage as an overgrown child, in a baggy black tuxedo, huge slappy shoes and a white-painted face expressing gentle vulnerability and innocence. Though Buten claims to hate all clowns and school, he has formed his own version of the two. The clown Buten admires is not the caricatured, slapstick circus version that Buten did as a teenager, but a more subtle and refined one. "I was studying Chinese at university and dropped out. I'd wanted to go to China so I applied for the merchant marine. I also applied for Clown College in Florida. I was accepted in

an audiences during the first half of the century. "It's all emotion." Buten said. "You really have to make people believe you are surprised or sad, that a trumpet is really coming out of your pants or balloons of your mouth. Buten feels comfortable in worlds ungoverned by language and social convention. In "Mon-

sieur Butterfly." the narrator,

Hoover Sears, performs his clown

act in a children's hospital. In the

these children who for some reason didn't see the makeun on me but the face under it." He adopts four children through a newly es-tablished "Handicapped Residential Subsidy Program" Mickey, an 11-year-old schizophrenic who eats his shoelaces and toys; Ralph, who defecates in his shoes and speaks in "a fluid guttural voice that is indecipherable to everyone but me. I understand him very well": Tina. born with two legs that nearly face backwards, and Harold, "a tall gaunt boy whose head always trembles in fear, the fear of things

that no one but he can fathom.

His adventures with the children are marred with disasters and small triumphs. The "State Mental Health Foundation" judges the adoption ill-fated and orders the children returned to the institution. But Sears has developed an emotional attachment to his uncharacteristic family, and he bows to many recommendations of the hospital's "Ways and Means Committee" in order to

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the wrong things for the right rea-sons and the right things for the wrong reasons runs through my work," he said. And his philosophy? "The only reason I know to change these people is if I believe lieve they suffer. A certain kind of crazy people don't suffer any more than we do. I have no desire to change their behavior. Some psychotic types do suffer, and I am willing to alleviate their suf-ferings." When Sears is scolded by the hospital's committee in "Monsieur Butterfly" for not punishing Mickey's uncouth behavior, Sears timidly suggest to the committee: "He really never

Buten has turned the behavior equation around His Ph.D. thesis dealt with empathy toward the patient: "My work is based on imitation, that is, being autistic with an autistic child. This creates a relationship between us that would not happen otherwise. . . . In one case, a 5-yearold autistic child acquired a 20word vocabulary in three midst of a terrifying tour through months." The goal is not necesthe hospital's wards, he observes: "I felt like a fool because of them, sarily a modification in behavior, but an exploration of possibility, an understanding through assimilating the patient's symptoms.

Buten has often paid a high price
for his controversial techniques.
In an autobiographical incident related in his first novel, a therapist is reprimanded and fired for his treatment of a troubled &year-old.

"'Mister Butterfly' is about making one's peace with the world and learning to tolerate normal people," Buten said.

He is an opera lover, and one of his favorite heroines is "Madame Butterfly's" Ciao-Ciao San, who sings "Une Belle Di" as she waits for her lover's return from the world she cannot live in. The epigraph of his latest novel best suggests the compass guiding Buten through these other worlds: "Only the language of the heart survives, Only the dreamer stays

'Buffo' by Howard Buten, until June 12 at the "Theatre Tinta-marre," 10, rue des Lombards, Tuesday to Saturday at 9:30 P.M.

LOW COST FLIGHTS

LANGUAGE Some Passing Strange Allusions

By William Safire

Washington — "It is more than passing strange to me," Robert C. McFarlane told the Iran-contra investigating committee, "that we cannot aspire to a policy which is more effective to deal with

lerrorism. Few of the solons caught the poetic allusion. In all probability, the speaker used it unconsciously. In the first act of Shakespeare's "Othello," the Moor explains his initial attraction to Desdemona, when she asked him to tell her the story of his life. Othello recalls: "My story being done, / She gave me for my pains a world of sighs: / She swore, in faith 'twas strange, 'twas passing strange. / 'Twas pitiful, 'twas wondrous pitiful'.

Shakespeare liked to use the word pusting as an adverb modifying adjectives (passing fair, passing strong passing gentle), meaning "surpassingly, exceedingly." Today the term is familiar only as passing strange, even in the most wondrous pitiful testimony.

The Bard is also the underlying source of many obvious allusions. Erica Abeel wrote in The New York Times Magazine about country homes: "A final irony: in our passion for a getaway, we are killing the thing we love." That is, of course, a reference to "The Ballad of Reading Gaol," by Oscar Wilde: "Yet each man kills the thing he loves." The trick in the allusion dodge is to any the description. dodge is to get to the original, in this case Shake-speare's "The Merchant of Venice," in which Bassanio asks Shylock: "Do all men kill the things they do not

That double take can also be applied to a New York Times piece by Matthew Gurewitsch of Connoisseur magazine, writing about the Metropolitan Museum of Art's much-admired statue of the Egyptian cat that is suspected of being a forgery: "Within the Gallery of Illustrious Fakes that I envision, beauty will be truth, truth beauty."

Poetic Allusion Watch (PAW) enthusiasts will catch that reference to John Keats's quotation of a Grecian urn, which revealed to him. "Beauty is truth, truth beauty"; that was supposedly all we needed to know. Keats, however, was answering the question posed almost two centuries earlier in the first stanza of George Herbert's poem "Jordan": "Who says that fictions only and false hair. / Become a verse? Is there in truth no beauty?" .

Nor do I join the disapproving chorus at the verbification of nouns with -ce. We should lie back and see if such coinages turn out to be useful, or are merely bureaucratic pomposities. Poetic allusions can make the difference: In "Life & Death on 10 West," a gripping account by Eric Lax of medical heroism at the UCLA Medical Center, the author recalls a fistfight that broke out between two surgeons during an operation, with "the patient etherized upon the table between them." This is an allusion to the beginning of T.S. Eliot's "The Love Song of J. Alfred Prufrock": "Let us go then, you and I, / When the evening is spread out against the sky, / Like a patient etherized upon a table."

I HIS department is not infallible and sometimes misses even primary allusions. In a piece searching for the female equivalent of womanizer, written with eerie prescience on the eve of Gary Hart's downfall, I

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reported that most readers cited man-enter, a term in reported that most readers chear many attention in use for the last decade, meaning "a woman who treats sexual relations frivolously." Geoffrey Stokes, the Press Clips columnist of The Village Voice, calls my attention to "Ariel," a poem by Sylvia Plath published posthumously in 1965 (its title is from the sprite in Shakespeare's "The Tempest"), in which the poet concludes: "Out of the ash, / I rise with my red hair, / And I cat men like air." This popularized man-euer in its present promiscuous sense; the origin may have been in Aldous Huxley's 1928 "Point Counter Point": "Marjorie isn't the only bore. Nor Lucy the only man-

I HE aftermath of the Hart story brought forth this lead from T.R. Reid in The Washington Post: "Former presidential candidate Gary Hart is making it mer presidential candidate fary man be will not go clear to his friends and supporters that he will not go clear to his friends and supporters that he will not go

gentle into that political night." The allusion is to Dylan Thomas's 1952 poem "Do Not Go Gentle Into That Good Night." In a recent PAW, I made a passing remark (passing the ordinary participle used as adjective, not passing the strange adverb) that the Weish poet had a reason for using gentle rather than gently, but that it eluded me. That was a fishbook observation, designed to elicat instrucwas a risinook observation, designed to enext fishing-tion from the Lexicographic Irregulars, and it worked: "If Thomas had said gently," writes Marianne Fridell of Custer, South Dakota, "he would have been need; fying go and telling how one goes. Instead he says gentle, which refers back to the understood you."

"Gentle is an adjective referring to the understood subject," explains Marilyn V. van der Veide of Ann Arbor, Michigan. "Were one to substitute naked or speechless for gentle, it would be more obvious."

In grammatical terms, though, is gentle necessarily an adjective? Although it is almost always used as an an adjective, it has also been used as an adverb since the early 1600s. "If you have a grammatical problem with the use of what appears to be an adjective after a non-copulative verb," writes Allan J. Curran of Bolton, sympathize: so many of our memorable English than ers dammed the analogous 'Go slow.' Jacques Bazzon with good sense, encourages the use of the short form of the adverb' after verbs of motion."

Let's go quick to Barzun, who covered this subject in 1986 in "A Word or Two Before You Go...." He says predicate adjectives follow copulative, or linking, verbs, such as be or become ("Be gentle"; "Become famous"). Beyond that, however, Professor Barzun tells me: "Verbs of motion and sensation take adverb that do not have the -ly ending — 'Go slow,' Think fast,' and so forth. Even though they lack the -ly, these words are not predicate adjectives but adverbs. And there are many examples of such adverbs. You would tell someone, "Sleep sound," not 'Sleep soundly'; 'sound' is correct as the adverb's short form."

I disagree with the professor, and agree with most of the readers who wrote in: the poet was using the adjective gentle to describe the condition he honed his dying father would not be in, rather than to describe the method of his going, or dying. He chose to modify the person, which called for an adjective, and not to modify the action, which would usually have called for the adverb ending in -ly.

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